Dividend Investors: $100,000 in This High-Yield Stock Pays $4,600 a Year!

Description

Do you want to fill your TFSA or RRSP with passive income for life?

Then it pays to invest in utility stocks.

Owing to the indispensable nature of their services, utilities are some of the safest businesses around. In 2008 and 2009, the years of the Great Recession, **Fortis** managed to increase its earnings per share for two years in a row. Other utility stocks reported similarly strong performance at a time when the markets were getting hammered.

That doesn't mean utilities are pure defensive plays for protection against recessions. As some of the most reliable dividend payers around, they're worthy picks in bull and bear markets. In this article, I'm going to take a look at one utility stock whose yield is so high you could earn $4,600 a year with $100,000 invested.

Emera

Emera (TSX:EMA) is a Nova Scotia-based utility company with operations in Canada, the U.S., and the Caribbean.

In 2018, the company had $31 million in assets and pulled in $6.5 billion in revenue.

According to its website, Emera has a focus on investing in renewable energy sources, with the goal of transitioning to a lower carbon footprint. Accordingly, it has been making big investments in wind, solar, and hydro power, along with lower-emission carbon sources like natural gas.

Over the past few quarters, Emera has been delivering solid results for shareholders.

In three out of the most recent four reporting periods, the company beat analyst estimates by 10%. Its most recent quarter was a disappointment, with earnings falling by about half year over year, but that includes unforeseen circumstances like impact from Hurricane Dorian.

Regardless, the long-term profitability trend at Emera is encouraging: over the past 12 months, its profit margin has grown from 6% to 12.5%.

An ultra-high and rising yield

With Emera, the main attraction is its high and growing dividend. In 30 years of operation, it hasn't cut its dividend once. Over the past five years, Emera has increased its payout by 11% a year on average. It's all thanks to the company's ultra-stable utility-based revenue stream, which has allowed it to grow even in recessions. Like Fortis, Emera actually grew during the 2008-2009 recession and managed to keep its dividend payments flowing.

A stable business

The main reason Emera's dividend is so reliable is because the company, like many utilities, is extremely stable.

Utilities are highly regulated by the government, which provides high barriers to entry and often exclusive access to a given service area. Additionally, utilities are indispensable, among the last things people would cut out of their budget in tough times. Accordingly, when recessions hit, these types of companies often see little damage to their earnings — if any.

While Emera's Q3 decline in earnings was disappointing, the company has shown over the years that it's a reliable, long-term grower. Not only can you count on $100,000 in EMA to pay $4,600 a year, but you can expect the payout to grow over time.

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