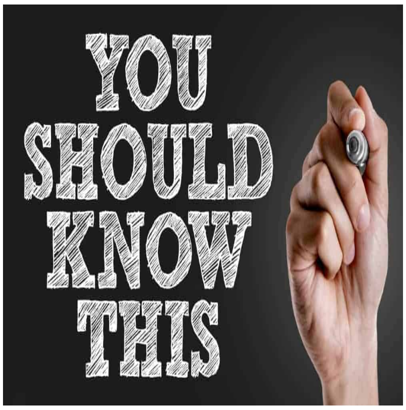

TFSA Investors: $10,000 in This Dividend Stock Can Yield $38,000 by 2030

Description

Every so often, there are stocks that get beaten down and get stuck in a rut because of factors beyond their control. The discerning investor uses this opportunity to load up on a good stock at a low price.

When 95% of a company's income comes from regulated operations, there is one thing you know for certain: a downturn isn't going to make a difference to the company.

Emera Inc (TSX:EMA) is a utility giant in Canada and its share price has been stuck between $50 to $57 since reporting its third-quarter 2019 results on November 9, 2019.

The company's quarterly and year-to-date financial results were weaker relative to 2018, with earnings per share falling to $0.23 from $0.50 and $1.96 from $2.05, respectively.

Weaker results were due to four main factors. Two of these factors were the loss of earnings from Emera's merchant gas plants sold in the first quarter of 2019 and the non-recurring tax benefit recorded in the third quarter of last year.

The other two factors were the impact of Hurricane Dorian as well as continued unfavourable weather and weak market conditions, largely in New England, thereby negatively impacting Emera Energy's marketing and trading operations.

In fact, during the earnings call, Scott Carlyle Balfour, CEO, President & Director, Emera Inc. stated, "I remain firmly confident that our decision to sell our merchant gas plant portfolio and Emera Maine was the right long-term decision for the business. However, these asset sales will impact our near-term earnings."

Expect Emera to remain range-bound for another quarter at least, which means investors have a great buying opportunity to stock up on the company.

How much can an investor gain in the next decade?

One must take into account the fact that Emera’s portfolio of regulated utilities is the primary driver of the company’s growth and the underlying performance of these businesses is strong, delivering adjusted earnings growth of 4% in the quarter and 12% for the first nine months of 2019.

It’s important to remember that Emera’s ability to capitalize on volatility in the energy markets enhances the company’s utilities, earnings and cash flow with limited downside risk while providing the opportunity for significant upside as we saw in 2018. Shares were trading at $39 in October 2018 before hitting $58 in September 2019.

Apart from assured utilities income, the Emera dividend and the company’s stellar growth record over the last two decades also play a strong role in the buying decision for this stock. Emera has clocked an average of 12% shareholder return over the last two decades.

The company has seen the economy go boom-and-bust multiple times and has continued its forward march. The fundamentals of the company are strong, the management is efficient and operations are effective: a perfect trifecta to buy the stock for the next decade. Assuming the same 12%, a $10,000 investment today will give you $33,000 in 2030.

Emera sports a forward dividend yield of 4.3%. The company also announced an increase of 4.3% in its annual dividend payment from $2.35 per share to $2.45 per share.

This is keeping in line with Emera’s dividend guidance of a 4-5% annual increase until 2022, which means you can expect a dividend income of $430 per year for your investment of $10,000.

You could be looking at a total dividend income of up to $5,000 in 10 years, potentially taking your $10,000 investment to $38,000 by 2030.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Business Insider
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