
# Is TSX Utility Stock Emera a Buy Today?

## Description

The last few weeks in markets have been extremely volatile. Not only did stocks crash at an unprecedented pace, but almost as shocking and rapid as the initial fall is how fast things have begun to recover. Just a few weeks ago, **TSX** utility stocks like **Emera Inc** (TSX:EMA) would have been at the top of most investors' buy lists.



There was significant fear of a recession in our economy, so investors were looking to add defensive stocks to their portfolio.

These stocks are great in a recession. The businesses are robust and see little impact from a slowdown in the economy. Plus, they are incredibly reliable and pay attractive dividends when cash is most valuable.

The issue is, these stocks tend to underperform the market as its rallying. Thus, investors who have been loading up on defensive utilities the last few weeks in fear of a recession could have squandered their only opportunity to buy top long-term growth stocks.

This is why it's essential for investors to buy these TSX utility stocks in conjunction with longer-term companies.

Focusing only on the short-term and trying to worry too much about where the stock market will go can have lasting effects in the long term.

That said, if you're an investor with no defense in your portfolio, then I would say that Emera is a buy.

## If you need defense, consider TSX utility stocks

Emera is an investor favourite because it's one of the top utility stocks on the TSX. The company has both gas and electric utilities and operates in Canada, the United States, and the Caribbean.

As well, 95% of Emera's earnings are regulated, which is why it's such a reliable stock. The company is currently in the midst of a massive capital investment program that is seeing $7.5 billion invested.

The investment is going to drive rate base growth, which will increase Emera's distributable cash flow for at least the next few years.

Most of the investments are going to its subsidiaries in the United States, where it already derives roughly 65% of its earnings in USD. These investments could therefore be a major boost, especially if we continue to see the loonie lose value.

In addition to its high-quality and stable operations, Emera also has robust financials.

## Emera: One of the top TSX utility stocks

First and foremost, Emera has a manageable debt load and adequate liquidity. This isn't so important because we are worried about Emera's operations being impacted. It's important in case economic developments take a significant turn for the worse, causing global credit markets to dry up.

Another attractive quality about Emera is its significant 4.2% dividend — a dividend estimated to have a payout ratio of just 70% this year.



A 4.2% dividend is therefore a pretty rewarding yield for such a stable dividend. Furthermore, management has suggested that investors can expect to see 4%-5% dividend growth until at least 2022.

Coupled with Emera's robust operations, the dividend what makes it such a great TSX utility stock to buy if the market crash isn't over.

## Bottom line

For the most part, TSX utility stocks have been some of the best-performing stocks since the markets started to tank, which means that the discounts in utilities aren't as appealing as other stocks.

Nonetheless, Emera is still relatively cheap at just 20 times earnings. So if you think your portfolio needs a little more defense, consider Emera, a top TSX utility stock.

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