Buy This 1 Cheap TSX Dividend Stock in June That Yields 4.5%

Description

Where do you invest in a market that is volatile and uncertain? Invest in stocks that will rally when the market recovers but also have a measured downside so that your investment stays protected. In a volatile market like this, it generally means you look at defensive stocks with low betas and attractive dividends, like utilities.

Emera (TSX:EMA) is a utilities giant based out of Nova Scotia with approximately $34 billion in assets and 2019 revenues of more than $6.1 billion. The company says that it is "experiencing relatively modest short-term impacts" to the business. This is not the first downturn Emera has been through, and its customers, both residential and commercial, make regular payments. Electricity is going to be the last thing that people skimp out on.

The company announced its first-quarter results in May, and it reported a net income of $523 million compared with net income of $312 million in Q1 2019. This included earnings of $321 million, after taxes and fees related to the sale of the Emera Maine business. Net adjusted income was $193 million in Q1 compared to $224 million in the prior-year quarter.

Why Emera is a good buy

On March 31, 2020, Emera had around $3.2 billion of cash and cash equivalents. A key factor for Emera is that its revenues are tilted toward the residential segment. While revenues from the commercial space will drop since there has hardly been any economic activity in Q2, residential revenues haven't taken a hit.

As people stay at home, they can't do without their energy needs, and Emera is assured of payments. The company does expect a rise of noncollectable debt in the coming months but says the numbers won't be high. The company has data to be back it up. It experienced a small rise in bad debts during the 2008 global financial crisis, and while the numbers will be higher this year, they won't cause panic.

A key point of strength for Emera is that its regulated utility business is doing really well. Earning from Nova Scotia Power, Peoples Gas, New Mexico Gas, and Tampa Electric are all in cash. There have been virtually no regulatory deferrals across any of these four utilities.

Emera has a dividend yield of 4.5%

Fellow Fool Joey Frenette believes that another market crash is just around the corner, and that Emera is a great weapon to have in your armoury as you try to combat it. The stock has a low beta of 0.22, which means it is hardly affected by market movements. This is exactly the kind of stock that stands strong in a bad market.

The stock was trading at $60 levels in March before plunging to $42 and bouncing back to its current levels of $54-$55. This means it fell as part of a broader market crash and not because of any inherent weakness or external factors that will cause demand to plummet. The recent pullback has meant Emera stock has a dividend yield of 4.5%.

Emera stock has a price-to-sales multiple of 2.2. Its price-to-earnings ratio of 19.8 might seem a bit expensive considering Emera's earnings growth is forecast at 7% in 2020. However, analysts expect the stock to touch $61.23, which is 11.5% above its current price. This indicates annual returns of 16% after accounting for dividend payments. If the market does go through another crash, pick up more of this stock.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/26
Date Created
2020/06/03
Author
araghunath