



Emera (TSX: EMA): This 4.6% Yielding Stock Is Great for Passive Income and Capital Appreciation

Description

It's clear that the second wave of the pandemic has pushed the world into greater chaos. Experts are [calling for stricter measures](#) and it looks like lockdowns could be a regular occurrence until a vaccine is deployed for the masses. This means you must look to buy companies that [have the business model](#) to weather a sluggish macro-environment.

Emera Inc (TSX:EMA) is one of the biggest utility companies in Canada that operates across three regions in North America: Canada, the U.S., and the Caribbean, serving over 2.5 million customers. Pandemic or no, this company will continue to generate stable revenues, as evidenced by the third-quarter results for 2020 that Emera reported on November 13.

Emera's Q3 results

Emera's adjusted net income in Q3 was \$166 million, or \$0.67 per common share, compared with \$122 million, or \$0.51 per common share, in the prior-year period. Analysts had estimated net income for this quarter to be \$0.66 per share.

Adjusted income for the nine months ended September 30, 2020, was \$477 million compared to \$476 million in 2019. Cash flow for the nine months ended September 30, dropped by 7% from \$1.18 billion to \$1.1 billion.

Both of the company's major subsidiaries, Florida Electric Utility and Canadian Electric Utilities saw net incomes go up by \$22 million to \$175 million and by \$2 million to \$35 million respectively when compared to the same period in 2019.

The company's gas utilities and other electric utilities saw incomes decline by \$5 million to \$20 million and by \$17 million to \$6 million respectively, when compared to 2019.

What next for investors?

Emera has a \$7.4 billion capital investment plan that it expects to deploy between 2021 and 2023. It might invest an additional \$1.2 billion in the same period that might result in a forecast rate base growth of 7.5% to 8.5% until 2023.

As the world and Canada in particular, make a concentrated move toward clean energy, Emera has also done the same. For Nova Scotia Power and Tampa Electric, renewables as a share of its business will go up to 27% in 2023 from 5% in 2005.

In the first week of November, the Florida Public Service Commission approved the cost-effectiveness of Tampa Electric's current phase of solar development, for one project coming online in January. "This approval is for the fourth phase of solar expansion, the 60-megawatt (MW) Durrance Solar project in Polk County, which is currently under construction. Tampa Electric's first three phases of solar construction – nine projects totaling more than 572 megawatts (MW) – came online between 2018 and 2020." This phase is scheduled to be complete in January 2021.

Emera's annual dividend growth guidance of 4% to 5% through to 2022 is on track, and the company's payout ratio is targeted at 70% to 75%.

The Foolish takeaway

The company has a dividend yield of 4.58% currently, and analysts have given it a price target of \$61.29. However, as lockdowns intensify, it is very likely that investors will flock to defensive stocks and Emera could be a prime beneficiary of that phenomenon. The stock is a solid option for people who want a source of passive income along with capital appreciation.

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