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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