



TFSA Investors: 1 Renewable Energy Business With Huge Potential

Description

Based in Nova Scotia, **Emera** ([TSX:EMA](#)) owns and operates cost-of-service, rate-regulated electric and gas utilities in Canada, the United States, and the Caribbean. Cost-of-service utilities provide [essential gas and electric services](#) in designated territories under franchises and are overseen by regulatory authorities.

Emera's strategic focus is to safely deliver cleaner, affordable, and reliable energy to the company's customers. Emera's investment in rate-regulated businesses is concentrated in Florida and Nova Scotia. These service areas have generally experienced stable regulatory policies and economic conditions. Emera's portfolio of regulated utilities provides reliable earnings, cash flow, and dividends. Earnings opportunities in [regulated utilities](#) are generally driven by the magnitude of net investment in the utility and the amount of equity in the capital structure and the return on that equity as approved through regulation.

Intelligent capital allocation

Earnings are also affected by sales volumes and operating expenses. Emera's \$7.4 billion capital investment plan over the 2021 to 2023 period, and the potential for additional capital opportunities of \$1.2 billion over the same period, results in a forecasted rate base growth of 7.5-8.5% through to 2023.

The capital-investment plan includes significant investments across the portfolio in renewable and cleaner generation, infrastructure modernization, and customer-focused technologies. Emera's capital-investment plan is being funded primarily through internally generated cash flows and debt raised at the operating company level. Equity requirements in support of the company's capital-investment plan are predominantly funded in equity capital markets through the dividend-reinvestment plan and issuance of common and preferred equity.

Maintaining a solid balance sheet

Maintaining investment-grade credit ratings is a priority of management. Emera has provided annual

dividend-growth guidance of 4-5% through to 2022. The company targets a long-term dividend-payout ratio of 70-75%.

Energy markets worldwide are facing significant change, and Emera is well positioned to respond to shifting customer demands, digitization, decarbonization, complex regulatory environments, and decentralized generation. Customers are looking for more choice, better control, and enhanced reliability in a time where costs of decentralized generation and storage have become more competitive in some regions. Advancing technologies are transforming the way utilities interact with customers and generate and transmit energy. In addition, climate change and extreme weather are shaping how utilities operate. There is also an overall need to replace aging infrastructure and further enhance reliability. There exists significant opportunity for Emera to capitalize on all these trends.

Focused on developing renewable assets

Emera's strategy is to fund investments in renewable energy and technology assets, which protect the environment and benefit customers through fuel or operating cost savings. Emera's utilities are also investing in reliability projects and replacing aging infrastructure. All of these projects demonstrate Emera's strategy of safely delivering cleaner, reliable, and affordable energy for the company's customers.

Emera has established clear carbon-reduction goals and a vision to achieve net-zero carbon emissions by 2050. This vision is inspired by Emera's strong track record, the company's experienced team, and a clear path to Emera's interim carbon goals. The stock appears undervalued based on future prospects.

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