Fortis vs. Emera: Which Is the Better Utility Stock to Buy Today?

Description

Utility stocks are some of the safest businesses to own long term, and **Fortis** (TSX:FTS)(NYSE:FTS) and **Emera** (TSX:EMA) are some of the best in Canada. And now, with markets looking like they could be in for a lengthy correction, there is even more reason to add a top utility stock to your portfolio today.

Utility stocks are perfect investments to help stabilize your portfolio and provide tonnes of resiliency. In addition, these are some of the top dividend-growth stocks you can buy, making them great investments to own long term.

Because these stocks are highly safe, though, they don't offer significant growth. So, it's crucial that the utility stock you do decide to buy is the best of the best.

If you're wondering which utility stock is the better buy between Fortis and Emera, here's what to consider.

Fortis stock

Fortis is one of the most popular dividend stocks in North America. The company has 10 utility operations across Canada, the United States, and the Caribbean.

82% of Fortis's assets are electric utilities, compared to its gas utilities, which make up 17% of its business, and the company delivers to 3.4 million customers — about one million more than Emera stock.

The utility company is one of the best and safest core stocks for your portfolio, having earned investors a compounded annual growth rate (CAGR) of 13% for 20 years.

And going forward, not only is Fortis an ideal stock to buy for this environment, but it also has a strong plan for low-risk growth over the coming years.

Fortis expects its rate base to grow at a CAGR of 6% from 2020 to 2025. This growth of its business means that the utility stock can also target a 6% annual growth rate in its dividend.

So, it looks as though Fortis will continue its streak of 47 consecutive years of dividend increases, which also makes it the second oldest Dividend Aristocrat in Canada and a popular investment among dividend investors.

Emera stock

Emera is another popular utility stock that also has operations in Canada, the U.S., and the Caribbean for six countries total, though 68% of its earnings come from the U.S.

The company has 2.4 million utility customers, which is less than Fortis but still makes it a massive utility stock.

It, too, has produced impressive long-term gains for investors, growing at a CAGR of 11.6% over the last 20 years.

And Emera stock, like Fortis, also has a strong plan for low-risk growth over the coming years.

The utility stock expects to grow its rate base between 7.5% to 8.5% each year until 2023. Furthermore, it has targeted up to 5% growth in its dividend through next year.

Which utility stock is the better buy today?

As you can see, each company is a high-quality, well-diversified, defensive investment. So, if you’re wondering which is the better buy today, here’s how they compare to each other fundamentally.

On a valuation basis, both stocks are priced very similarly. Currently, Fortis stock is trading at a forward price-to-earnings ratio (P/E) of 20.2 times compared to Emera, which has a forward P/E ratio of 20.1 times.

It is to be expected that the stocks are trading at similar valuations, given they are two of the top utility stocks in Canada, and the market environment continues to have a tonne of uncertainty.

Looking at the dividends, Fortis currently yields 3.5% compared to Emera, which currently yields 4.3%.

The growth outlook of each utility stock is similar too. However, Fortis is targeting slightly higher dividend growth.

Clearly, both stocks are quite similar, both in the potential that they offer investors and the valuation they are currently trading for.

Which is the top utility stock to buy now?

There's no question that both Fortis and Emera are two of the best utility stocks in Canada. And while neither is outstandingly cheap today, they can play an important role in your portfolio, especially in this market environment.

So, if you're looking to buy a utility stock today, the better buy is your personal preference. If you prefer a higher current yield and lower growth over the next few years, Emera looks like the better option. However, if you are a dividend-growth investor, Fortis may be the better investment for you.

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