



Why Is No One Talking About This Company?

Description

When it comes to dividend-paying stocks, it can be tough to find a high-yielding company that also provides reliable growth. When investors identify one of these companies, many people flock to them and they generally become widely discussed (e.g., **Algonquin Power & Utilities**, **Brookfield Asset Management**, **Telus**). However, a tried-and-tested way to reap excellent returns is to fish where others are not.

A recession-proof stock

The utility industry is widely accepted as being the most recession-proof industry. Although some utility companies still saw a bit of a decline in their stock during the 2008 Financial Crisis, **Emera** ([TSX:EMA](#)) was one of the few that seemed like it kept growing. From peak to trough, the company lost just over 14% of its value before returning to its upward trajectory. This is an incredible outperformance compared to the TSX, which lost [35% of its value](#).

Peers within the same industry were mostly unable to post numbers as impressive as Emera during the 2008 recession. Notable examples are **Canadian Utilities** (-34% peak to trough), **Enbridge** (-37%), and **Fortis** (-23%).

Why I like this company

This goes back to the opening. Emera pays an excellent dividend on top of great capital gains but for some reason, it is not as widely held by retail investors. Excluding the dip caused by COVID-19, as most industries outside of tech have still not yet recovered, Emera grew 51% over the past five years. When dividends are accounted for, the overall return grows to over 70%. All while remaining one of the least-volatile stocks in the market.

The company currently has a forward dividend yield of 4.48%. In 2010, its dividend yield was 4.8%. That is an amazingly consistent dividend. This means that as much as the stock has grown, the company has been able to grow its dividend at a similar rate. Emera is a Canadian Dividend Aristocrat;

it has been increasing its dividend for each of the past 13 years.

Emera is also undervalued, following traditional metrics. It currently has a trailing price-to-earnings ratio of 15, where the average for a utility company is 24. Its price-to-book ratio is 1.5, while a value under three is generally accepted as being good value.

Risks

Of course, as with every company, I would be remiss if I neglected to disclose aspects of the company that I am not fond of. The first would be its stagnant revenue. Emera has not seen significant increases in its revenue for the past three years. In all the companies I invest in, I check to see if its revenue has been growing year over year. If so, it indicates to me that the company is continuing to see increased demand.

One possible reason for its lack of revenue growth could be attributed to the fact that Emera has not been growing its reach. The company has only completed six mergers or acquisitions since 2001. This is in stark contrast to its peers, which have been applying a more aggressive acquisition and development strategy.

Foolish takeaway

Emera is an excellent dividend-paying company that also provides reliable growth in capital appreciation. If you are the type of investor that likes investing in companies before hordes of investors jump in, give this company a look.

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1. Dividend Stocks
2. Investing

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1. TSX:EMA (Emera Incorporated)

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