



Lock In This 6.55% Dividend Yield Before it Goes Away

Description

When searching the markets for reliable income investments to add to an investment portfolio, one of the most critical considerations investors look into is the reliability of an issuer's dividend disbursements. It would be agonizing if your most anticipated dividend payout were unexpectedly cut or cancelled if the issuer has decided to suspend the payout altogether.

It is therefore a critical pre-investment, due diligence exercise to evaluate if the intended investee has the potential capacity and commitment to at least sustain or increase the dividend payout during your investment horizon, which should typically be long term.

I fear that the current 6.55% dividend yield on **Chorus Aviation Inc** ([TSX:CHR](#)) may fall further as the stock price keeps rising.

Chorus is a holding company in the aviation sector which holds interests in Jazz Aviation LP, Voyageur Aviation Corp., and Chorus Aviation Capital Corp. Jazz operates three divisions: Air Canada Express, through which Jazz provides service using the **Air Canada** Express brand throughout North America; Jazz Technical Services, which provides aircraft maintenance, repair, and overhaul services to third parties, and Jazz division, which offers charters throughout North America and airline operator services.

Chorus's Voyageur provides aviation services to regional and international customers as well as support services to other companies, including administrative support, commercial services, and materials management.

The growing aviation operator pays a lucrative monthly dividend of \$0.04 today for a sweet dividend yield of 6.55%.

Compelling dividend history

The company's dividend history could make one wish they had invested much earlier. Chorus paid four quarterly dividends of \$0.15 each in 2012 with an annual yield of about 15.5% as of December 31, 2012.

The company increased the quarterly payouts to \$0.75 in the second quarter of 2013, then paid a whopping \$0.113 dividend in last quarter of the year for a 11.29% annual dividend yield.

The stock price has ballooned since then. The annual dividend, which was changed to monthly payout in July 2013, only managed to yield just 8.17% by the end of 2015.

After increasing the dividend payout from \$0.0375 per month to \$0.04 monthly in February 2016, the company's increased dividend was only good for a 6.64% yield by the last trading day of the year.

Safe payout ratio

Most noteworthy, Chorus's dividend quality has drastically improved since 2015.

The dividend payout as a percentage of net income has improved from a not so good 86.54% in 2014 and a worse rate of 237% in 2015 to a very safe and reassuring 53.9% for 2016.

The current dividend payout is 62% of the analyst consensus estimate of \$0.77 earnings per share for this year, and management has a wide room to increase the payout in the near future.

Potential future price growth

Chorus deepened its aviation presence internationally when it recently formed Chorus Aviation Capital. The new business, established on January 4, 2017, has the objective of developing Chorus's regional aircraft leasing into a global business with a diverse customer base. The recent aircraft purchases and leasing contracts with **Flybe** and **Virgin Australia** are a start of another long-term growth path for the company.

The company's agreement with Air Canada is set to expand Jazz operations, too.

Considering the massive growth prospects for Chorus Aviation, it may be a great idea to lock in the quality dividend income offering before the stock rallies further.

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