# Put This Canadian Dividend Stock Into Your Portfolio and Watch the Income Roll in

## Description

At the moment, there are some interesting opportunities in Canadian dividend stocks. Yields are high, share prices are low, and dividends still provide tax advantages over fixed-income alternatives such as bonds and GICs. **Exchange Income Corporation** (TSX:EIF) is one stock you could add to your portfolio and watch the dividends roll in.



The company has two operating segments: Aerospace and Aviation, and Manufacturing. The Aerospace and Aviation segment provides scheduled, charter, and emergency medical services to a number of Canadian provinces and territories. It also designs, modifies, maintains, and operates sensor equipment and aircraft to provide maritime surveillance in Canada and internationally.

The Manufacturing segment produces goods and services for aerospace, water recycling, and many other industries. The array of its businesses and operations in multiple geographic regions provides a degree of diversification for the company's earnings.

The mid-cap market in Canada has a number of dividend stocks ripe for the picking. Many of these companies have yields higher than 5% that are still growing. In addition to the rich dividends, these stocks can be found in a number of different sectors, offering diversification away from banks, oil, and utility stocks that tend to dominate the large-cap portion of the Canadian stock market.

In the first quarter of 2018, EIF's financial results were quite positive. The company's results were consistently improved across all of its business segments, which speaks to the strength of the business. Revenue grew by 20%, net earnings rose 55%, and the dividend-payout ratio as a percentage of net earnings fell to 69%.

EIF's strong financial results have enabled the company to provide a significant return to shareholders through dividend payments. The company has raised its dividend payouts every year since at least 2014. If its solid financial growth continues, the company has expressed that these payouts and increases should continue into the foreseeable future.

Since this is a company focused on making acquisitions, EIF has a substantial amount of long-term debt. The cost of debt has been rising with interest rates, so acquisitions may slow down, reducing growth, or EIF may fund acquisitions with more equity than it has in the past. The company does not believe its debt to be a material issue, however, and is currently looking for more acquisition targets.

Even with the potential risks from debt, I am especially impressed with the company’s focus on the long-term development of its business, sometimes at the expense of short-term fluctuations in earnings. Over the years, many investors have been spooked by short-term earnings misses by this company, as it invests those earnings for the long run.

Exchange Income Corporation is dedicated to providing investors with steady, growing income. While investors should be wary of the debt on its balance sheet, the company’s strategy appears to be paying off. As long as investors are aware of the short-term stock price fluctuations that can affect this company, buying shares of EIF would be an excellent way to diversify dividend income streams.

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1. Dividend Stocks
2. Investing

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**Date**
2025/08/24
**Date Created**
2018/06/12
**Author**
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