This TFSA-Ready Aviation Stock Pays a +6% Dividend

Description

Exchange Income Corporation (TSX:EIF) is a major Canadian aviation company with its flight navigation computer set on course for long-term business development. While this manifests itself as a high level of physical assets on its balance sheet, it also makes for an ambitious dividend stock worth stashing in your TFSA or RRSP for long-term, passive gains.

Is this Canadian aerospace stock a buy right now? Let's sift through the figures and see how Exchange Income shakes out.

A high-flying stock in it for the long haul

Illustrative of its hungry management style, Exchange Income bought out CANLink Global Inc. (Moncton Flight College) earlier this year. Moncton Flight College is the most sizable flight-training college in the country, and through its acquisition, Exchange Income gains control of a major facet of Canadian aviation.

This is attractive to investors looking to put their money into Canadian infrastructure and transportation. Meanwhile, value investors won't turn their noses up at this stock's current discount of more than 50%. With shares changing hands for $31.80, Exchange Income offers an excellent bang for your buck compared to its future cash flow value of $71.92.

Let's look at some fundamentals. We can see that Exchange Income has a low P/E, which is always a good thing to look for in a stock you're looking to hold long term. At 13.1 times earnings, Exchange Income trails the industry by a few points, though it beats the average for the Toronto Stock Exchange.

Moving on to PEG, we have a slightly high valuation of twice growth. Its P/B is all right, though, at a market-beating 1.7 times book. All told, Exchange Income looks good on multiples.

How about a monthly income for your inflight meal?

So far, so good. In terms of growth, a projected 6.6% annual increase in earnings is in the cards. Unless you're looking at runaway growth stocks in the electric car sector, any forecast growth is a good sign in the transportation business at present, so 6.6% isn't bad. And while we're looking at future performance, it's worth noting that its expected 19.3% return on equity over the next three years isn't bad either.

Let's go back to that dividend yield of 6.89%. That's nice and high for the TSX, but it is set to rise next to year to an even tastier 7.79%. Add to that the fact that Exchange Income pays its dividends monthly, and you're onto a winner. Consider this stock if you're a dividend investor who would like a regular boost to your paycheck every month.

The bottom line

An undervalued stock that pays one of the highest dividends on the TSX? Yes, please! If there's anything not to like about this stock, it's possibly the fact that you don't already own it. Some commentators may point to its debt levels caused by a hungry acquisition style, but investors should take this as a sign of long-term business development. Exchange Income is cheap, pays a handsome dividend, and is focused on the long haul, all of which make this stock a buy.

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