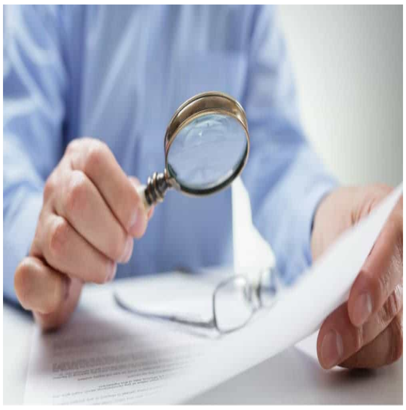

Looking for a Diversified Aviation Investment? This Stock Is for You!

Description

Aviation stocks often don't earn the incredible respect that they should, particularly considering the impressive returns that many of them have posted over the past few years. By way of example, **Air Canada** has seen incredible gains of nearly 500% over the past five-year period, yet the stock remains wildly unpopular with many investors, who have often viewed the airline industry as a whole as being one quarter away from disaster.

But what if there was an investment that had a significant component to it and, even better, offered an appetizing monthly dividend and strong growth prospects?

That company is **Exchange Income** (TSX:EIF) and should be on the shortlist of every investor's portfolio.

Exchange Income owns over a dozen subsidiary companies that are either small regional airlines such as Bearskin, which has scheduled flights and cargo routes between northwestern Ontario and Manitoba, or performs a set task such as Keewatin Air, which provides medevac services to Winnipeg from Nunavut and northern Manitoba.

Another unique subsidiary of the company is the recently added Moncton Flight College, which, as a well-respected pilot training school, vertically integrates into Exchange Income's growing presence in the aviation sector.

The interesting thing about Exchange Income's subsidiaries is that they all cater to remote regions of the country, serve a unique purpose for which there is steady demand and limited competition, and provide positive cash flow for the company.

Beyond holding multiple airlines, Exchange Income is also further diversified through its array of manufacturing-based companies, which, following the unique, remote, and in-demand criteria stated above, includes companies such as Westower Canada, which constructs and installs cell phone towards across the country; Stainless, which creates both stainless tanks and processing equipment; and Overlanders Manufacturing, which produces sheet metal and tubular products from steel.

What about Exchange Income's financials and dividend?

Owning over a dozen subsidiary companies provides a certain level of diversification for Exchange Income, and the company benefits from its large portfolio during earnings season. In the most recent quarterly results, Exchange Income reported revenues of $313 million and EBITDA of $75.1 million, both of which improved over the same period last year by 15% and 7%, respectively.

Adjusted net earnings for the quarter came in at $25.2 million, or $0.80 per share, showing an improvement of 5% over the same quarter last year and a 4% improvement on a per-share basis.

Turning to dividends, income-seeking investors will absolutely love Exchange Income. The company provides a monthly distribution that currently has a yield of 6.69%, placing it far ahead of many other companies on the market, and significantly more generous than any of the major airlines, which offer yields of less than half, if at all.

The dividend is based on a percentage of free cash flow, which, after factoring in capital expenditures, finished off the quarter at 58%. When basing from net earnings, the payout still provided a very impressive 68%.

In my opinion, Exchange Income remains a great option for long-term investors looking for a diversified growth and income pick.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/22
Date Created
2018/10/02
Author
dafxentiou