



Buy the Dip in This Awesome Dividend Stock

Description

Tricon Capital Group ([TSX:TCN](#)) only started trading on the Toronto Stock Exchange in 2010, but it was actually founded in 1988. Its market cap has increased to about \$1.53 billion.

What Tricon does

Tricon is a principal investor and asset manager, which is like a much smaller version of **Brookfield Asset Management**. Tricon Capital Group is focused on North American residential [real estate](#) with about US\$5.7 billion of assets under management (AUM).

About 91% of its assets are in the U.S. and about 9% are in Canada. About 68% of its AUM are principal investments and 32% are third-party investments.

2018 results

Tricon had a good year in 2018. Adjusted diluted earnings per share increased by 32% to US\$1.45. AUM climbed 23%, including 39% growth in third-party managed assets, which indicates strong demand in that area. Adjusted EBITDA rose 35% to US\$364 million.



Is the acquisition good news or bad news?

The stock just fell about 7% last week. The reason for the drop may be related to news about Tricon's latest \$1.4 billion acquisition of **Starlight US Multi Family No 5 Core Fund**, which has a 23-property, 2012 vintage U.S. multi-family portfolio. To fund the acquisition, Tricon will be issuing about \$496 million of common shares to the fund's unitholders.

The transaction gives Tricon a U.S. multi-family rental platform with immediate exposure to attractive Sun Belt markets and enhances its exposure to high-growth markets.

Management expects the transaction to be meaningfully accretive to Tricon's earnings per share and book value per share.

After the transaction, Tricon will be a more liquid stock with a market cap of about \$2.3 billion and roughly 194.2 million shares outstanding.

Is the dip a buying opportunity?

The stock has been range bound since 2017. The stock dropped from the resistance of about \$11.50 per share last week and is close to neutral territory with the stock not being overbought or oversold.

The dip is a decent buying opportunity. **Thomson Reuters** has a 12-month mean target of US\$10.30 per share on Tricon, which represents about 25% near-term upside potential based on the more conservative exchange rate of US\$1 to CAD\$1.30. Additionally, Tricon also offers a safe yield of about 2.6%.

Technically, Tricon stock should have some support at \$10.50-10.60 per share. If it falls through though, the stock can dip under \$10 per share, at which time it would be a strong buy.

Investor takeaway

Tricon is a great idea for investors who are looking to gain exposure to the North American residential [real estate sector](#), particularly with a focus in the U.S. The stock is a good buy now with attractive upside potential, but it would be a stronger buy under \$10 per share.

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