$700/Month Passive Income From This Growth Stock

Description

When investors look for growth stocks, they're likely to focus on equities outside the airline industry. However, in every industry or sector, one stock stands out as a growth stock. **Exchange Income** (TSX:EIF) is a good name in the aerospace and aviation business.

Passive-income chasers should think twice before passing up on Exchange Income. Analysts are screaming buy as the stock is starting to build momentum typical of a growth stock. Growth stocks are usually in the technology, biotech, and even cannabis sectors. But I'd like to treat the $1.1 billion Winnipeg-based firm as a growth stock.

From basic services to highly diversified

Exchange Income started with one company providing scheduled flight and cargo services in 2004. At present, there are 15 companies in the umbrella group delivering important products and services. The owned companies belong or operate in various industries, businesses, and regions.

The company achieved effective diversification through disciplined acquisitions. Almost every year from commencement of operations, there's a new milestone. The medevac (medical evacuation) services and transport of oil and gas began in 2005. Three years later, Exchange Income was already into equipment and manufacturing.

The company's acquisition strategy is reaping great success. Exchange Income targeted profitable, well-established, closely held businesses or family-owned companies that have strong niche businesses and supported by strong cash flows.

Management will not deviate from this strategy. The acquisition candidate should have noticeable growth opportunity and sustainable annual EBITDA. The customer base should be diverse, too. Exchange Income's customers are actually scattered throughout North America and the rest of the world.

Top-notch investment

From an investment standpoint, Exchange Income is definitely a superior choice like the industry titans. Revenue has been increasing year on year with net income averaging $71 million in the last couple of years. For the current year, the growth estimate is 7.5% and forecasted to increase by 11.6% in 2020.

The company is in excellent financial shape as income generation is steady. The diversified business model can withstand economic cycles. But the rider is the 6% dividend yield.

Exchange Income's dividend history is remarkable. The company increased dividends 12 times since 2004. From $1.08 per share, the current value is $2.19 per share on an annualized basis. In 2009, a dividend-reinvestment and cash-purchase plan was offered to eligible shareholders.

If you're an eligible holder of EIF, you have an opportunity to reinvest the dividends in more common shares. The additional shares can be had at a price equivalent to 97% of the volume weighted average closing trading price on the TSX for the five trading days preceding the dividend payment date.

Assuming you invest today, there is a potential 33% upside in the next 12 months as forecasted by analysts. Given the 14-year dividend-growth history, a monthly passive income of $700 is realizable. Your purchase should at least be 3,800 shares at the current price of $36.79. If that's not possible, you can start by accumulating the shares.

CATEGORY

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