A Canadian Dividend Stock to Hold Forever in Your TFSA

Description

Exchange Income (TSX:EIF) is an intriguing company with plenty of potential. Unfortunately, the company is neither the largest nor most popular of investments on the market, which means that many investors often pass on the opportunity to invest in the company.

Here are a few compelling reasons why this is one investment that you don't want to miss.

Exchange your portfolio for something unique

One of the first things that investors should take note of is that Exchange actually has over one-dozen subsidiary companies, all of which fall into the broad groupings of manufacturing and aviation services.

On the aviation front, those businesses vary from offering cargo, medevac, and passenger service operations to markets in northern Manitoba, Ontario, and Nunavut to the largest flight training college in Canada.

Turning to the manufacturing side, Exchange boasts a portfolio of unique niche businesses that include manufacturing precision-machine components for the defence sector, cellphone tower construction and manufacturing advanced windows used in high-rise residential complexes.

The individual businesses offer several unique advantages that collectively make Exchange an interesting investment option. Each individual business serves a unique niche market for which there is strong demand, but little competition. Adding to that appeal is the fact that many of those businesses operate in remote markets providing a necessary service.

The end result is that Exchange's individual businesses are able to continually generate cash for the parent while continuing to invest in new opportunities.

Strong results keep fueling growth

Exchange is set to provide results for the latest quarter in under two weeks, but that shouldn't stop investors from looking at what the company can offer today.

In the most recent quarterly result from this past summer, Exchange reported revenues of $326 million, reflecting a 4% increase over the same period last year. EBITDA came in at a record-breaking $87 million for that same period, which was an impressive 16% improvement over the same quarter last year.

Net earnings for the quarter came in at $22 million, or $0.68 per share, reflecting strong growth over the prior period of 12% and 4%, respectively. Free cash of $66 million was also reported in the quarter, reflecting a solid gain of 12% over the same quarter last year.

Exchange offers investors a handsome monthly dividend that currently provides an appetizing 6.05% yield. With such an impressive yield, critics often turn to the company's payout ratio to determine whether the dividend is sustainable. In the case of Exchange, the company maintains a trailing 12-month payout ratio of 54% of free cash less maintenance capital expenditures, representing a 10% improvement over the prior period.

Turning to the future, the consensus among analysts is that Exchange will continue to see double-digit growth over the next five years, while continuing to maintain and grow its attractive dividend.

Final thoughts

Exchange is a great long-term investment that should appeal to any investor looking for a diversified stock that can provide growth and income-producing capabilities. In other words, buy it, let that monthly dividend grow your nest egg, and forget about it for a decade or more.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. TSX:EIF (Exchange Income Corporation)

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