Get $187 a Month in Passive Income From This Little-Known Tech Stock

Description

You've likely never head of **Evertz Technologies Limited** (TSX:ET). That's okay, because few investors have. If you're comfortable sticking with well-known stocks that the market already knows and loves, then this company is not for you.

If you're the type of investor who's willing to do a bit of extra research to uncover hidden games with major income potential, however, then stick around.

Let's start with the highlights. Evertz is a $1.8 billion technology company based out of Burlington, Ontario. It designs and manufactures video and audio infrastructure solutions for the television, telecom, and digital media industries.

We'll dive into exactly what that means in a moment, but for now, know that this business has been able to produce a reliable, growing dividend for more than a decade. Today, the dividend yield stands at 4%.

The current revenue streams should have no problem supporting the current dividend for years to come, but when diving deeper into management's research and development spending, there's reason to believe the dividend could be on the verge of a multi-year increase. It's not often that you get the combination of growth *and* income, but Evertz is looking like the rare exception.

Taking the lead

Evertz was founded in 1966 to provide software and equipment to content creators, broadcasters, specialty channels, and television service providers.

Traditionally, the business focused on hardware solutions like audio processing equipment, control panels, antennas, routers, and switchers. Whenever you watch television, there's a good chance that it was made possible using Evertz hardware.

This traditional business has proven fruitful. Revenue has grown in each of the previous five years, rising from $364 million in 2015 to $444 million in 2019. Earnings before taxes hit $105 million this year. Dividends accounted for just $55 million, so the company's cash pile is set to grow again in 2019.

More exciting, however, is the company's focus on providing next-generation solutions. According to management, Evertz is making "early research and development investments to establish itself as the leading supplier to the broadcast industry, addressing the ongoing technical transition."

In 2015, spending on research and development totaled a respectable $64.3 million. In each year since, it's grown consistently, hitting $85.8 million in 2019. Ramping this spending to prepare for the future has been impressive given profits and cash flow have also maintained an upward trajectory.

In total, management has spent $371 million on research and development over the past five years. Company executives believe these investments will "significantly expand our addressable market and have a long-term benefit to Evertz customers and our shareholders."

Given that the company received multiple industry awards this year for its technologies, I'm inclined to agree. Not only will Evertz be able to soak up demand for next-generation products, but the economics behind software innovations like cloud-based media management systems and big data analytics should be significantly improved, helping boost cash flow and reduce capital intensity.

Your path to income

If you want to generate $187 per month with this stock, you'll need a nest egg of roughly $56,000. However, that's at the current payout level.

As we've seen, Evertz is making all the right moves to boost its profits over the long-term. As a multi-decade dividend payer, it's likely that management will redirect a big portion of these profits to shareholders.

Since the start of 2008, the dividend has almost quadrupled. Over the next 10 years, I'd expect more of the same. If the payout can triple over the coming decade, you'll need to invest just $18,700 today to generate $187 per month in passive income in the future.

That's still a good chunk of change, but a much more manageable sum for those seeking long-term income potential.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:ET (Evertz Technologies Limited)

PARTNER-FEEDS

1. Business Insider

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

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Date
2025/07/03
Date Created
2019/11/09
Author
rvanzo