TFSA Investors: This Hidden Gem Can Return 20% in 2020

Description

Often, when you look at companies yielding high dividends, you question whether the company can sustain high payments for a long time. You want to make sure that the company is profitable and sustainable. You look for consistency in the business.

When a company reports 54 consecutive profitable quarters since its debut 14 years back, your fears are largely assuaged. Fifty-four consecutive, profitable quarters is no mean achievement. But there is hardly any noise and definitely no drama around this remarkable performance by **Chorus Aviation** (TSX:CHR). And as for the dividend? That's a payout of almost 6%.

Chorus is a player in the regional aviation space. Headquartered in Halifax, Nova Scotia, Chorus is comprised of Chorus Aviation Capital a leading, global lessor of regional aircraft, and Jazz Aviation and Voyageur Aviation. Apart from owning, operating and leasing aircraft, Chorus also provides a full suite of regional aviation support services like aircraft acquisition, aircraft re-purposing, fleet management, contract flying, engineering, aircraft and component maintenance, leasing, disassembly, and parts provisioning/logistics.

Good Q3 numbers

The company has turned in a profit every quarter since its debut in 2006, and its Q3 results for 2019 were no exception.

In the September quarter, adjusted EBITDA came in at $92.6 million, growing by $5.8 million, in large part due to a 78% increase in adjusted EBITDA in the Regional Aircraft Leasing segment, with 12 leasing transactions closing in the quarter.

Adjusted earnings per share grew by 12.5% from the second quarter of this year primarily due to a 76% increase in earnings before tax in the Regional Aircraft Leasing segment. Adjusted net income came in at $29.2 million, a decrease of $1.6 million.

The company is assured of a steady stream of revenue. Joseph D. Randell, president and CEO, said, "Over 90% of our revenue secured through long-term contracts, our business is predictable and transparent. We currently have a minimum of approximately $2.5 billion in future contracted revenue. Our business delivered results that once again met our expectations, and we made advancements in growing our leasing business."

The leasing game

Chorus's leasing business is generating a lot of traction. As Fool contributor Nelson Smith pointed out, leasing is the big area of growth for Chorus, and the company is making large strides in this space.

It's a simple play. Chorus buys aircraft, leases them back to airlines, retaining ownership until the lease expiration date. When it expires, Chorus has the option to lease it again, sell it, or use the aircraft for the company.

Chorus completed its first sale of leased assets — three Dash 8-400s on lease since 2017 for net proceeds of approximately $25 million after debt repayment. Chorus also added Malindo Air, a member of the Lion Air Group, to the leasing portfolio, expanding the company's reach into Southeast Asia.

While the regional market in North America is saturated, Chorus doesn't see the demand going down anytime soon with a strong pipeline.

Analysts tracking the stock have given it an average target of $9.50 — an upside of almost 18% from current levels. When you include the dividend payout, this is a deal you want to take.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHR (Chorus Aviation Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/02
Date Created
2019/12/11

Author
araghunath