Supplement Your Income With These 2 High-Quality Stocks

Description

Many investors are turning to monthly dividend stocks to supplement their income, because savings accounts and Guaranteed Investment Certificates (GICs) simply don't offer yields anywhere close to what can be earned in the stock market.

Let's take a closer look at why **Boston Pizza Royalties Income Fund** (TSX:BPF.UN) and **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA) would be great fits for your income needs.

1. Boston Pizza Royalties Income Fund

Boston Pizza Royalties Income Fund owns the trademarks and other intellectual properties associated with the largest fast-casual restaurant brand in Canada, Boston Pizza. It licenses these properties for use in operating and franchising Boston Pizza restaurants in exchange for a royalty of 5.5% of sales.

It has continued to post very strong financial results, including a 1.4% increase in same-store sales, a key metric in the restaurant industry, and a 25.4% increase in distributable cash to $13.63 million in the first half of 2016 compared with the first half of 2015.

It has also continued to grow its royalty pool, adding six net new restaurants so far in 2016 to bring its total count to 372, and this was a key driver in its franchise sales increasing 3.1% year over year to $528.22 million in the first half of 2016.

Boston Pizza currently pays a monthly distribution of $0.115 per share, representing $1.38 per share on an annualized basis, and this gives its stock a very high yield of about 6.35% at today's levels.

The company also has a track record of growing its distribution as a result of its strong growth of distributable cash; its streak currently sits at four consecutive years, and its two hikes since the start of 2015 have it on pace for 2016 to mark the fifth consecutive year with an increase. I think its strong financial performance and growing royalty pool could allow this streak to continue for many years to come, making Boston Pizza both a high-yield and distribution-growth play.

2. Pembina Pipeline Corp.

Pembina Pipeline Corp. is a pure-play energy infrastructure company with operations in Canada and North Dakota, U.S.A. Its operating assets include pipelines, natural gas processing facilities and fractionation plants, oil and natural gas storage facilities, and truck terminals.

The best part about Pembina is that the majority of its assets are supported by long-term, fee-for-service contracts with the companies that use them, giving it very limited exposure to commodity prices.

This limited exposure has allowed it to continue to achieve very strong financial results in spite of lower oil and natural gas prices, including a 19.4% year-over-year increase in adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) to $560 million and a 14.1% year-over-year increase in adjusted operating cash flow to $444 million in the first half of 2016.

Pembina has also continued to expand its asset base, including its commissioning of $1.5 billion of assets year-to-date in 2016, and it has $5 billion in committed projects underway that will be commissioned by 2018. Through its expansion efforts and organic growth, Pembina expects to achieve a 15-25% compound annual growth rate of EBITDA through 2018.

It currently pays a monthly dividend of $0.16 per share, representing $1.92 per share on an annualized basis, which gives its stock a very high yield of about 4.8% at today’s levels.

It has also shown a strong dedication to growing its dividend as it has done so for four consecutive years, and its two hikes since the start of 2015 have it on pace for 2016 to mark the fifth consecutive year with an increase. I think its strong financial performance and the continued growth that will come as a result of its growing asset base will allow this streak to continue for many years into the future, making Pembina both a high-yield and dividend-growth play, like Boston Pizza.

Is one a better buy than the other?

Boston Pizza and Pembina Pipeline both have high and safe distributions, proven track records of growing their payouts, and the ability to continue growing their payouts going forward, so I do not think one is better than the other. However, if I had to choose just one, I’d go with Boston Pizza simply because it offers a higher yield.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:PPL (Pembina Pipeline Corporation)

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