2 of the Best Income Stocks Money Can Buy

Description

If you're interested in monthly dividend stocks, whether you're looking to supplement your income or trying to beat the market, then I've got two that you will love. Let's take a quick look at each, so you can determine if you should invest in one or both of them today.

1. Pizza Pizza Royalty Corp.

Pizza Pizza Royalty Corp. (TSX:PZA), or PPRC, owns the trademarks and other intellectual properties associated with the Pizza Pizza and Pizza 73 brands in Canada. It licenses these properties for use in operating and franchising pizza restaurants in exchange for a royalty of 6% of sales at Pizza Pizza restaurants and 9% of sales at Pizza 73 restaurants.

PPRC has shown steady financial growth as it has continued to be a favourite in the highly competitive Canadian restaurant industry, including a 1.7% increase in same-store sales, a key metric in the industry, a 1.6% increase in royalty income to $17.22 million, and a 2.4% increase in adjusted earnings available for shareholder dividends to $10.17 million in the first half of 2016 compared with the first half of 2015.

Its steady growth has been helped by the ongoing expansion efforts of its brands, including the addition of six net new locations so far in 2016 to bring the total number of restaurants in its royalty pool to 736, and this expansion paired with increased traffic at its existing locations led to its total system sales increasing 2.4% year over year to $265.34 million in the first half of the year.

PPRC's significant amount of adjusted earnings available for shareholder dividends allows it to pay a monthly dividend of $0.0713 per share, representing $0.856 per share on an annualized basis, and this gives its stock a very high yield of about 5.7% at today's levels.

It has also steadily grown its dividend with its streak currently sitting at four consecutive years, and its three hikes since the start of 2015, including its 2.4% hike June of this year, have it on pace for 2016 to mark the fifth consecutive year with an increase. Its consistent growth of adjusted earnings available for shareholder dividends could allow this streak to continue for many years to come, so it's safe to consider PPRC both a high-dividend and dividend-growth play.

2. Exchange Income Corporation

Exchange Income Corporation (TSX:EIF), or EIC, is an acquisition-oriented company focused on the aviation and manufacturing sectors. It invests in profitable, well-established companies with strong cash flows operating in niche markets to provide its shareholders with a growing stream of cash dividends, and it maximizes shareholder value by actively monitoring its subsidiaries and by acquiring additional companies or businesses.

Its subsidiaries include Bearskin Lake Air Service, Custom Helicopters, Keewatin Air, Regional One, Provincial Aerospace, Ben Machine Products, Overlanders Manufacturing, and WestTower Communications.

It reported record earnings results in 2015, and it's on pace to blow away those results in 2016, as its revenues increased 20.2% to $444.75 million, its earnings before interest, taxes, depreciation, and amortization increased 28% to $101.26 million, its free cash flow less maintenance capital expenditures increased 22.4% to $1.53 per share, and its adjusted net earnings increased 30% to $1.17 per share in the first half of 2016 compared with the first half of 2015.

This very strong performance was fueled by organic growth, including Regional One monetizing its recently expanded portfolio of assets and Provincial Aerospace winning a five-year, $150 million contract for in-service support.

EIC has also continued to grow inorganically through acquisitions, including its acquisition of Ben Machine Products in July 2015, which was a driver of growth in the first half of 2016. Investors should also note that the company completed its acquisition of CarteNav last week, and it expects this to immediately be accretive to its per-share metrics going forward.

EIC's significant stream of free cash flow allows it to pay a monthly dividend of $0.1675 per share, representing $2.01 per share on an annualized basis, and this gives its stock a very high yield of about 6% at today's levels.

It has also shown a strong dedication to growing its dividend, as it has done so for five consecutive years, and its two hikes since the start of 2015, including its 4.7% hike in May of this year, have it on pace for 2016 to mark the sixth consecutive year with an increase. Its consistently strong growth of free cash flow could allow this streak to continue going forward, making it both a high-dividend and dividend-growth play like Pizza Pizza Royalty Corp.

Should you favour one over the other?

Pizza Pizza Royalty Corp. and Exchange Income Corporation are my top two income stock picks today because they have very high yields, extensive streaks of annual increases, and the ability to continue growing their payouts going forward. I do not prefer one over the other, so if I had to choose one, I'd simply flip a coin.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:PZA (Pizza Pizza Royalty Corp.)

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