



Massive Passive Income: 2 Stocks (Yielding up to 10%) to Make You Rich in Your Sleep!

Description

For many retirees, the 4% rule just doesn't cut it.

While the rule allows investors to get a good balance of income and growth, one stands to [leave a tonne of upfront yield on the table](#) by following the arguably outdated rule of thumb. Consider the following two pizza royalty income funds that can allow you to more than double your passive income without having to risk your shirt.

Pizza Pizza Royalty

Up first, we have **Pizza Pizza Royalty** ([TSX:PZA](#)), an 8.7%-yielding income fund that collects royalties from popular Canadian pizza chains Pizza Pizza and Pizza 73. Shares of the income giant have been under pressure over the last few years, now down 46% from all-time highs reached in 2017.

Fierce competition in the pizza market and tightening budgets of indebted Canadian consumers share part of the blame for Pizza Pizza's 52% peak-to-trough drop. And with consolidated same-store sales growth (SSSG) numbers slightly in the red (-0.1%) for the third quarter, many investors are wondering if the all-Canadian pizza giant can stay relevant in the new era of quick-serve restaurants.

There's no question that food delivery services have curbed the appetite for pizza over the years. As the company ramps up its efforts to win back the business of Canadians, both through its marketing campaign emphasizing a delivery service that's "done better," and the (re)launch of intriguing menu items like the cauliflower crust and other plant-based meat alternative toppings, I see a scenario where comps could make a sustainable move back into the green.

The company has revamped its website and will look to leverage innovative new technologies to (like AI) to make permanent improvements that'll eventually show up in the bottom line.

For now, Pizza Pizza is a heavily out-of-favour QSR player that's absurdly cheap, offering investors a

chance to lock in a handsome 8.7% yield. While earnings may pale in comparison to the massive size of the distribution, I don't see a scenario where Pizza Pizza drastically reduces its distribution payout given the tools that management has to send comps (and EPS numbers) higher amid challenging economic conditions.

Boston Pizza Royalties

Sporting a 10.1%-yielding distribution, we have **Boston Pizza Royalties** ([TSX:BPF.UN](#)), another pizza player that's succumb to a similar set of headwinds plaguing select Canadian restaurants. The company recently shuttered six restaurants and added five new ones with the hopes of bolstering per-store sales amid challenging economic conditions.

Fellow Fool David Da Costa believes that Boston Pizza is a "top buy," despite citing that a dividend cut is a possibility if the company can't get its SSSG growth numbers back in the right direction. A distribution that yields 10.1% is a huge commitment, and Da Costa thinks Boston Pizza could reduce its distribution modestly to yield 9.2%.

"A 9.2% dividend that has a payout ratio below 100% seems like a pretty attractive deal to me and shows the market may be overreacting with Bostom Pizza, moving it well into oversold territory." said Da Costa. "There are still some other risks to consider, though, such as a lack of SSSG potentially causing some restaurants to close, which would impact overall sales numbers."

If SSSG numbers deteriorate further, I think there's no chance that Boston Pizza will trim its distribution ever so slightly. If it does cut, it's going to be a sizeable cut, because, like it or not, shaving 10% off of a 10% yield isn't going to provide enough financial wiggle room, nor will it impress [income-oriented investors](#) who'll likely throw in the towel on such a move.

The damage to the reputation of even the slightest of distribution cuts will be substantial, so it only makes sense to slash the distribution in half, rather than proceed with potentially many cuts, as some energy firms did in the years following the 2014 implosion in oil prices.

In any case, I see Boston Pizza doing its best to retain its distribution as is over the intermediate term, while looking to shutter less-profitable locations to make room for new ones in more lucrative markets. If the opening and closing of restaurants combined with SSSG-driving initiatives fail, I wouldn't be surprised to see Boston Pizza's distribution slashed in half to 5%.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date

2025/08/26

Date Created

2020/01/10

Author

joefrenette

default watermark

default watermark