



2 Dividend Machines Yielding Up to 12% for High-Income Seekers

Description

Investors from the baby boomer, gen-X, and millennial generations have equal chances of making money in 2020 from [high-yield dividend stocks](#). However, the level of earnings will depend on who has more savings or capital to invest.

A royalty company and a specialty chemicals distributor are trading at less than \$10 but offering fantastic dividends of 8.7% and 12.21%. An investment of \$25,000 in each can produce \$5,227.50 yearly while buying \$250,000 worth of shares of each translates to \$52,275 in annual income.

Royalty icon

Royalty companies are becoming [alternative investment options for dividend investors](#). Many of the popular ones like **Pizza Pizza** ([TSX:PZA](#)) own intellectual properties, trademarks, or patents.

Through its subsidiary Pizza Pizza Royalty Limited Partnership, this \$239.54 million company owns and franchises quick-service restaurants. Franchisees that are granted the license to operate and use the Pizza Pizza and Pizza 73 brands should follow the rules and guidelines established by the franchisor.

Pizza Pizza receives royalties from the franchisees or operators. Also, the profit margins are high given that franchisors do not incur fixed or variable costs. The franchise agreements stipulate that all costs will be for the account of the franchisees or operators.

There are about 500 pizza scattered across several hometowns and communities. The risk to Pizza Pizza is the increasing competition that could eat up on its market share. Net income over the last three years has been flat but consistent at \$27 million. As a pure dividend play, Pizza Pizza is superb.

Market control

Chemtrade Logistics ([TSX:CHE.UN](#)) is among the highest-yielding dividend stocks on the **TSX**.

Analysts have often questioned the sustainability of dividends. The company, however, has proven the skeptics wrong because the market-leading payouts continued even during the 2008 financial crisis.

This \$868.55 income fund provides industrial chemicals and services in Canada, the U.S., and South America. As the manufacturer and distributor of specialty chemicals, Chemtrade has a captured market.

As it also owns the facilities to produce the chemicals, the company can control supply, implement the desired pricing structure, and preserve profit margins.

Given this competitive advantage, the business has been thriving for two decades already. Chemtrade has attained the scale it wants and will continue sustaining operations.

Similarly, capital requirements are not as huge, and the company can therefore allocate more of its cash flows to shareholders. Chemtrade expects no significant unplanned downtime in production this year, although adjusted EBITDA might taper off due to higher maintenance turnarounds this year.

Chemtrade expects the 2020 growth rate to be 13%, as the businesses are performing well. Also, management has given assurances that the company can sustain the dividends.

Higher income in 2020

Royalty company Pizza Pizza has a decent business and should continue to receive royalties while it looks for positive catalysts to maintain its market position. With the pricing power, Chemtrade is generating cash flows that are in line with dividends.

High-income investors have excellent opportunities to earn bigger this year from two dividend machines. Both are trading at relatively low prices but offer monster yields.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

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