



TFSA Investors: Don't Miss Out on This 9% Dividend Stock

Description

Receiving passive income is always great, and although you'll want to have a nice mix of passive income and capital appreciation to drive the growth of your hard-earned money, sometimes certain stocks provide a lot more of one or the other.

Royalty stocks for example, are a great investment for any investor, but especially for investors looking for a high-yield investment that will earn them the majority of their income through dividend payments.

Not only do the companies pay out most of their earnings creating a [high-yield dividend](#), but because of their structure, they are relatively easy to predict and understand, allowing investors to avoid being caught off guard by any negative issues.

With royalty companies that receive a top-line royalty, it's relatively easy to predict their earnings and their funds available to pay the dividend because total sales across a massive network of nation-wide stores hardly fluctuates.

As the royalty is a percentage of the sales and the funds have very little costs, the level of sales from its network of stores largely determines the level of cash the fund will have available to pay the dividend.

As I mentioned before, these companies aim to pay out essentially all their earnings, so a few quarters or years of consistent negative sales growth can lead to an unsustainable dividend that will eventually need to be trimmed.

That's precisely what happened to **Boston Pizza Royalties Income Fund** back in February.

Only a few weeks ago [I warned investors](#) of an impending dividend cut from the royalty company, as it was clear that the negative same-store sales growth (SSSG) was weighing on the company's ability to sustain its dividend.

As these aren't like normal businesses, however, investors capital is actually much more protected, and when dividend rates have to be cut, it's usually not by all that much.

Still, **Pizza Pizza Royalty Corp** ([TSX: PZA](#)) is a much better option.

Boston Pizza only had to cut its dividend 11% to get it back below a 100% payout ratio. If the same thing had to be done with Pizza Pizza, the dividend wouldn't even need to be cut by 10%.

Pizza Pizza is a top choice because its two brands — Pizza Pizza and Pizza 73 — are some of the most well-known quick service restaurant brands in Canada.

While Pizza Pizza's performance hasn't been the strongest over the last 12 months, in comparison to a number of its peers, the company has been a lot more resilient.

Up until the fourth quarter, Pizza Pizza was on pace to have negative SSSG for the year, but a strong fourth quarter that saw SSSG of 2% brought the year's SSSG back positive up to a 0.5% increase.

Although this doesn't seem like much, the fact that Pizza Pizza was able to eke out positive growth is a welcome sign for shareholders, indicating that the dividend may be stronger than the market is giving it credit for.

The dividend is yielding a whopping 9.3% today, and when you consider the risk to the stock, that 9.3% dividend looks extremely attractive.

One reason that investors can have confidence in and count on a restaurant company like Pizza Pizza, as opposed to a Boston Pizza is that Pizza Pizza offers consumers a cheap and convenient meal choice, rather than an expensive and time-consuming choice like Boston Pizza.

Even if you compare Pizza Pizza to a number of its quick service restaurant peers, the business still looks well positioned, as it offers better convenience and some of the most affordable pricing out there.

In addition, Pizza Pizza has been continually adapting its menu to continue to offer new items and meet customers' growing needs.

The company continues to find new ways to grow its sales and sustain the dividend, so at current sales levels, and when you consider the massive yield of its dividend, it's clear Pizza Pizza is the most attractive income-generating stock on the **TSX**.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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