Market Crash: $5,000 in This TSX Dividend Stock Pays $580 a Year

Description

The current market crash has provided several investors with multiple opportunities. Growth stocks have plummeted, making them attractive for contrarian investors. Dividend yields have risen due to a fall in stock prices, making them a solid bet for income and value investors.

The broader markets are down over 25%. This has meant several stocks are trading at lower valuations. While it is impossible to time the market, the current bear market can be considered a buying opportunity.

Investors looking for a second stream of income can look to invest in high-dividend-yielding stocks such as **Pizza Pizza Royalty** (TSX:PZA). The stock is currently trading at $7.4, which is 30% below its 52-week high. The stock, in fact, touched a 52-week low of $5.26 last month and has since gained over 40% in the last few trading days.

Pizza Pizza has maintained its monthly dividend

On March 18, Pizza Pizza announced that it will maintain its monthly dividend of $0.0713 per share, which amounts to an annual payout of $0.8556 per share. The current pullback has increased its dividend yield to a mouth-watering 11.6%. This means a $5,000 investment in Pizza Pizza will pay investors $580 in annual dividends.

The COVID-19 has had a material impact on restaurant operations and customer activity that has negatively impacted the company's royalty pool system sales. However, company management has maintained that the current royalty income is supported by a healthy working capital reserve of $3.6 million, which is enough to pay the March dividend. Pizza Pizza will continue to monitor the impact of the coronavirus, which may pressurize royalty pool sales and royalty income for the firm.

Paul Goddard, CEO, stated, "Our Pizza Pizza and Pizza 73 restaurants are proud to continue servicing communities right across Canada, although in a limited capacity, while prioritizing the health and safety of our employees, operators, customers and local communities in which we operate. Our new contactless payment options for delivery and takeout purchases are now available for all customers as we continue adjusting our restaurant operations to safely deliver pizza, especially to feed front line workers, in addition to all other Canadians."

What's next for investors?

Pizza Pizza could cut its dividend in the near term if the lockdown continues to impact sales. It has a high payout ratio and distributes close to 100% of profits to shareholders. While the company's 772 stores across Canada provide the company with enough diversification, it does not matter much if the demand all over the country declines due to social distancing and lockdowns.

Boston Pizza has stopped paying dividends temporarily, and Pizza Pizza could soon follow suit. However, Pizza Pizza is in a better position than several other businesses. Though people can't go out to restaurants, they can order for home delivery and pizza still remains a top choice for most families.

As the name suggests, Pizza Pizza is a royalty company. This means it has minimal operating expenses and can afford to pay 100% of profits in dividends.

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araghunath