



This 6.5% TSX Dividend Is the Stock to Buy in June

Description

So far, after the rapid crash in **TSX** stocks back in late February and early March, the market has made a rapid recovery. At the moment, it looks as though the stock market is on the way to make a V-shaped recovery.

This, however, is far from how the economy is likely to perform. And while the stock market is forward looking and isn't always in line with the economy, a prolonged recession will make it next to impossible for the market to continue to rally.

Currently, there is optimism that the coronavirus pandemic may not last as long as initially was expected. However, I would point out that the pandemic ending doesn't ensure that economies will be able to recover at the drop of a hat.

For this reason, I would expect another market crash, as optimism about the rapid recovery of the economy begins to erode.

If this is the case, and the market retreats into more of a U-shaped recovery, TSX dividend stocks could become some of the best investments to own.

A top TSX dividend stock

As we've seen over the last few months, one of the most resilient dividend stocks is **Pizza Pizza Royalty** ([TSX:PZA](#)).

Restaurant stocks have been one of the worst-hit industries due to COVID-19. However, of all the TSX restaurant stocks, Pizza Pizza, unsurprisingly, has been the most defensive.

In the first quarter of 2020, same-store sales growth (SSSG) was down 6%. This includes SSSG growth of 2.1% in January before seeing -1.2% SSSG in February and -17.6% SSSG in March. April was even worse with Pizza Pizza seeing SSSG of -26%.

These numbers aren't great; however, when you compare them to the rest of the industry, it's clear how robust Pizza Pizza has been.

One of the reasons it hasn't seen as big of an impact as some of its peers is because only around 10% of its locations are closed. Early on during stay-at-home orders, a lot of walk-in sales initially declined. However, these sales are slowly starting to come back. In general, walk-ins account for roughly 35% of sales.

One thing to be mindful of going forward is its Pizza 73 segment in Western Canada. With a slower recovery likely in Alberta, Pizza 73 could be the segment that weighs on Pizza Pizza's recovery. However, in total, it accounted for just 17% of system sales in 2019.

Pizza Pizza is clearly one of the top TSX dividend stocks to consider. But what's even more impressive is that while almost every single one of its peers suspended the dividend, Pizza Pizza only had to trim its [dividend](#).

Pizza Pizza's resilient dividend makes it a top TSX stock to buy

After trimming the dividend, Pizza Pizza is in much better shape and is now one of the most reliable TSX dividend stocks to buy. Pizza Pizza's new dividend rate is exceptionally conservative. This should help the company to rebuild its cash position.

Its cash position has been slowly decreasing the last few years, as Pizza Pizza continued to have a payout ratio slightly exceeding 100%.

Going forward, barring any further drop-offs in sales, this should all be solved. And when the economy has fully recovered, and Pizza Pizza can look to increase its dividend again, its cash reserve should be significantly higher.

As of Monday's close, the attractive TSX dividend stock was offering a 6.47% dividend yield. A roughly 6.5% dividend that's almost sure to be safe is highly ideal in this economic environment.

Furthermore, when Pizza Pizza is ready to increase the dividend, as the [economy gets back to normal](#), the new rate could yield returns much higher.

Bottom line

While the market looks as though it will have a V-shaped recovery, the economics paint a much different picture.

This suggests another market crash could be on the horizon. If that were to be the case, and the stock market regressed to more of a U-shaped recovery, TSX dividend stocks would be some of the best-performing investments.

This would provide an even bigger boost to Pizza Pizza shares, as investors sought its high-quality dividend.

Regardless of how the stock market performs, though, Pizza Pizza is still one of the best long-term investments you can make today.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

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Date

2025/08/25

Date Created

2020/06/09

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