Why This 1 Top Food Stock Is a Great Growth Pick

Description

Who doesn't love pizza? Well, anybody on a diet, perhaps. But regardless of one's culinary requirements, **Pizza Pizza Royalty** (TSX:PZA) is a top stock for investors looking for access to a range of mainstream strategies.

One tasty dividend stock

Investors should consider Pizza Pizza Royalty as a hot value play in the defensive consumer staples space. Revenue is forecast to grow by 40% in the near term. A rich 7.2% dividend yield is also on offer, plus it trades at its book price.

Marrying growth investing with a low-risk consumer staples thesis is a power play. And it's the type of opportunity that could only exist in a market as weird as this one. 2020 has been a bizarre mix of high-pressure political and economic upheaval.

But silver linings exist only because of the clouds that surround them. This fall, one such silver lining is the potent mix of growth and value investment options. Pizza Pizza Royalties also just had a decent quarter, hiking its dividend 10%.

However, a payout ratio of 91% is somewhat on the high side. Not only does that coverage leave little wiggle room for dividend growth, but it also leaves payments not particularly well covered. Investors should keep an eye on this ratio and buy more for value and outlook, rather than rely on that rich yield alone.

A value stock at base with plenty of toppings

In terms of value, this is an unloved stock with decent fundamentals. This is borne out by a P/B ratio 0.8 times book and a P/E of just 11 times earnings. Buying stocks that satisfy a range of theses is a good way to diversify not only across sectors but also across asset types. This one stock satisfies several popular investing strategies. As we just saw, there is plenty here to recommend this stock to value buyers.

The longer-term shareholder can also pack some low-stress quality indicators into this stock's buy thesis. For instance, a squeaky-clean balance sheet helps strengthen a multi-year buy-and-hold thesis. A 36-month beta of 1.17 further underscores the defensive qualities of this name. In short, this well-valued dividend stock should suit investors with a low threshold for capital risk.

The buy thesis has been strengthened considerably for food stocks this year. And in recent days, stocks have been flip-flopping again as investors weigh further uncertainty. A correction seems imminent, with vaccine bullishness leaching from North American stock exchanges. This makes a defensive strategy all the more appealing right now. Investors should therefore look at which types of stocks beat the crash earlier in the year.

Consumer staples were right at the top of that list. This name in particular has gone from being a would-be falling knife a couple of years ago to a turnaround success story. And with 40% in annual revenue growth projected over the next one to three years, Pizza Pizza Royalty packs growth prospects with value. Throw in the classic defensiveness of food stocks, and this adds up to a strong buy signal.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/26
Date Created
2020/11/20
Author
vhetherington