



2 Best TSX Stocks Under \$20 to Buy Today

Description

Canadians with extra cash they won't need anytime soon can [create an extra income](#) from cheap but high-yield dividend stocks. For instance, you don't need significant capital or seed money to own shares of **Alaris Equity Partners** ([TSX:AD.UN](#)) or **Pizza Pizza Royalty** ([TSX:PZA](#)). Both income stocks trade at less than \$20 per share.

Make more money from dividends

The basic rule in stock investing is to buy low and sell high. If you purchase a stock at \$10 today and the price appreciates 50%, your investment grows to \$15. Also, anything above your purchase price is a profit to you. When the price falls below \$10, you incur losses. The example applies to non-dividend paying stocks.

However, total returns could be higher if you invest in [dividend stocks](#). Apart from the potential capital gain, the regular payouts depend on the dividend yield. Dividends serve as a cushion, too, in case the share price drops. Dividend investors that chase after [recurring income streams](#) don't usually mind the price fluctuations.

Excellent second-liner

Alaris may not be the typical anchor stock, although it's an excellent second-liner in your investment portfolio. The share price is \$18.22, but the dividend yield is a fantastic 6.81%. A \$20,000 position will produce \$340.50 in extra income every quarter. The earnings would be tax-free in your Tax-Free Saving Account (TFSA).

The \$819.21 million Calgary firm provides long-term or growth capital to top companies in the lower and middle markets. It also forms equity partnerships with private companies and business owners but won't control the operations. The transaction size is between \$10 and \$100 million.

Alaris' customer base consists of market leaders in the industries they serve. Startups don't qualify

because the prospect must have a historical cash flow of \$3 million or more. Apart from a proven management team, the company must be asset-light with a low risk of obsolescence.

Management reported record quarterly revenue in Q2 2021 and record capital deployment of more than \$400 million in the trailing twelve-month period. Net earnings were 212% higher compared to Q2 2020.

Positive momentum

Pizza Pizza is a \$364.25 million royalty company that franchises the Pizza Pizza and Pizza 73 brands in the quick-service restaurant industry. This dividend stock attracts income investors because of its generous dividends. The share price is \$11.32, while the yield is 6.46%. As with Alaris, your money can make more money through payouts.

The impact of the global pandemic was harsh on the restaurant industry. Pizza Pizza and Pizza 73 restaurants had to close their restaurant-seating areas in compliance with government-imposed lockdown or shutdown measures. Fortunately, the business regained momentum due to a successful vaccination campaign and the lifting of restrictions.

Despite the 5.5% and 5.9% declines in total system sales and royalty income in Q2 2021 versus Q2 2020, management increased shareholder dividends by 9%. Pizza Pizza CEO Paul Goddard is confident the positive momentum will continue in the back half of 2021. The company will also accelerate its restaurant construction and renovation plans.

Be selective

Dividend investing is the less cumbersome way to make money using your free cash. However, be selective and don't randomly pick high-yield stocks. Understand the businesses and be aware of the inherent risks. Once you've made a well-informed decision, start the income-generating process.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

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