



## Need Cash Flows? Earn Royalty Income From 3 High-Yield Stocks

### Description

Royalty corporations in Canada attract [income investors](#), because they are dividend machines. If you need cash flows, **Freehold Royalties** ([TSX:FRU](#)), **Pizza Pizza** ([TSX:PZA](#)), and **Diversified Royalty** ([TSX:DIV](#)) pay [high dividends](#). Besides the 6.3% average yield, the share prices are way cheaper than established dividend payers.

Assuming you can afford to purchase \$10,000 worth of shares each, the money will produce an extra income of \$1,890. The royalty streams they collect were stable pre-coronavirus. However, you must understand the risks to their royalty partners in the current pandemic environment.

### Red-hot royalty stock

Freehold mirrors the performance of the red-hot energy sector. This \$1.75 billion company owns mineral titles and royalties on oil and gas properties across Western Canada. It's one of Canada's largest independently owned portfolios of royalty lands. The land base in the United States is also expanding.

The TSX's energy sector has led advancers for most of 2021. The sector's bull run is ongoing, with its year-to-date gain of 70.5%. At \$11.58 per share, Freehold's trailing one-year price return is 186.33%, while the year-to-date gain is 130.74%. The dividend yield is 5.18% if you invest today.

Freehold benefits from the rising crude oil prices this year. In Q2 2021, the company reported a net income of \$18.18 million compared to the \$14.44 million net loss in Q2 2020. The year-over-year growth in royalties and other revenue was 99%. Notably, funds from operations grew 279% to \$40.2 million.

### Generous dividends

The restaurant industry, including fast-food chains, took a big hit from government-mandated shutdowns. Meanwhile, Pizza Pizza continues to hold steady on the stock market, despite weaker

royalty pool and same-store sales in the first half of 2021. Nevertheless, it still earned \$14.7 million during the period.

Pizza Pizza Limited's CEO, Paul Goddard, said, "With the lifting of restrictions in Ontario late in the quarter, we immediately experienced an increase in our walk-in sales and saw the reopening of a few, key non-traditional locations." In Q2 2021, royalty revenue spiked 2.7% to \$7.6 million versus Q2 2020.

Also, most of the non-traditional Pizza Pizza and Pizza 73 locations were closed. However, nearly all traditional locations were open for delivery and pick-up. The \$372.93 million franchised pizza quick-service restaurant brought good news to investors by increasing its monthly dividends by 9%. The current share price is \$11.69, while the dividend yield is 6.16%.

## Bargain deal

Diversified Royalty should also be on the radars of [bargain hunters](#), not only dividend investors. The royalty stock trades at only \$2.77 per share but pays an over-the-top 7.58% dividend. Moreover, its year-to-date gain of 24.09% is better than the TSX's +21.68%.

The \$341.56 million multi-royalty corporation makes accretive royalty purchases and expects increasing cash flows and growth from them. It owns the trademarks of six well-managed, multi-location businesses. Air Miles is a royalty partner, along with Mr. Lube, Mr. Mike, Sutton, Oxford Learning Center, and Nurse Next Door.

In the first half of 2021, the royalty company reported \$12.7 million distributable cash — a 22% increase from the same period in 2020. Management also increased the annual dividend by 5%.

## Fantastic payouts

The three royalty corporations offer great value and fantastic payouts to income investors and bargain hunters. Likewise, the dividends appear sustainable, given the improving royalty revenues.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:DIV (Diversified Royalty Corp.)
2. TSX:FRU (Freehold Royalties Ltd.)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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