TFSA Users: Let 2 Consumer Staple Stocks Make Money While You Sleep

Description

Money is better spent on essentials or basic necessities during inflationary periods. From an investment perspective, people should also be discerning, because some sectors perform better than others if inflation is high.

For example, **Rogers Sugar** (TSX:RSI) and **North West Company** (TSX:NWC) are steady performers in 2022. The respective businesses thrive amid rising prices because people need their products and services. Tax-Free Savings Account (TFSA) users, in particular, can use their available contribution room to purchase this pair of high-yield consumer staple stocks.

Strong demand

Mike Walton, president and CEO of Rogers Sugar and Lantic Inc., said, "The demand for refined sugar was very strong in the second quarter of 2022, following the volatility and unforeseen events that negatively impacted our first quarter sales volume." Despite the 20.49% drop in net earnings versus Q2 2021, management maintains a positive outlook for 2022.

However, on a year-to-date basis (first half of the year), revenue and net earnings increased 10.08% and 5.07% compared to the same period in 2021. While total sugar volume increased 0.65%, maple products volume dropped 13%. Nevertheless, management expects improved financial performance this year compared to 2021.

Walton said, "The increase in sales volume, coupled with margin improvements, and a good production from our Taber beet sugar facility are contributing to our positive outlook for our sugar segment in 2022." He added that it will more than compensate for the challenges in the maple segment due to inflationary costs pressures.

For fiscal 2022, Rogers expect to spend between $25 million and $30 million on various capital projects. According to management, around 25% will go to return-on-investment projects. Meanwhile, the maple segment is likely to experience strain from inflationary pressures on packaging material, freight, and labour costs.

As of this writing, Rogers Sugar trades at $6.23 per share (+6.13% year to date). If you invest today, this $658.53 million sugar and maple products producer pays a fantastic 5.78% dividend.

Captured markets

North West Company boast captured markets in far-flung, hard-to-reach communities in Canada, rural Alaska, the South Pacific, and the Caribbean. This $1.7 billion retailer delivers food and everyday products to customers. Its allied businesses include financial services, general merchandise, tele-pharmacist services, and air-based transportation services.

In fiscal 2021 (12 months ended January 31, 2022), total sales dipped 5% versus fiscal 2020. However, net earnings increased 9.68% year over year to $157.45 million. NWC president and CEO Dan McConnell said the 2021 results were rooted in a pandemic response that focused on health & safety, procurement, and distribution of essential items.

McConnell added, "As we enter 2022, we face ongoing COVID-19 uncertainties, world-wide supply chain constraints, inflationary pressures, and lower consumer income support in our markets." While management expects lower earnings in 2022 compared to 2021, the level should be meaningfully higher than in 2019 or pre-pandemic.

At $33.95 per share, current NWC investors enjoy a 6% year-to-date gain in addition to the 4.12% dividend. The 354-year-old company's payout ratio is less than 50%.

Generate tax-free passive income

Rogers Sugar and NWC pay an average dividend of 4.95%. Assuming you allocate your $6,000 TFSA annual limit equally, you can generate $297 in tax-free passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)
2. TSX:RSI (Rogers Sugar Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/19
Date Created
2022/06/11
Author
cliew

Footer Tagline