



Why Simple-to-Understand Stocks Are Perfect for New Investors

Description

One of the most important prerequisites to buying any stock, but especially for new investors looking to buy stocks, is that you have to understand the underlying business.

[Warren Buffett](#), one of the best investors of all time, has reiterated that multiple times, warning investors not to buy stocks they don't understand.

It's crucial to understand a company from top to bottom in order to put a value on it and determine if it's worth investing in. In addition, you'll need to understand the stock to be able to assess its performance throughout the future.

In order to beat the market, you have to believe that valuations for stocks are incorrect from time to time, which is when you look to take advantage of price inefficiencies.

In order to spot these inefficiencies, though, and have confidence putting your money on the line, you have to know these businesses inside and out.

Any investor can do enough reading to learn and understand each stock. But depending on the industry, and especially with stocks that have multiple operating segments, it can be difficult for new investors to grasp quickly.

If you're looking for high-quality stocks that are simple to understand, here is one of the best Canadian stocks that new investors can consider today.

One of the best and most straightforward stocks for new investors to research

If you're a new investor looking for stocks to buy, **Pizza Pizza Royalty** ([TSX:PZA](#)) is one of the first stocks I'd recommend. First off, it's a business that almost every Canadian will know, as it has Pizza Pizza or Pizza 73 locations all across the country.

Furthermore, its business is set up to be extremely resilient, offer little volatility and is perfect for dividend investors currently offering a [yield](#) of roughly 6.4%.

Rather than the corporation owning every location, it receives a royalty on the sales that each location does. So, as long as Canadians continue to visit Pizza Pizza locations across the country, the stock will consistently earn revenue.

And over the years, we've seen that Pizza Pizza's revenue typically doesn't fluctuate all that much. Besides the pandemic, dating back to 2015, its quarterly revenue has never grown or decreased by more than 3% year over year.

This predictable revenue allows Pizza Pizza to pay out almost all the cash it has left over after paying its minimal administration, interest expenses, and, of course, taxes.

For example, over the last four quarters, Pizza Pizza's revenue from royalty payments was \$32.8 million. Of that \$32.8 million, the company spent a little under \$600,000 on selling and general administration expenses, leaving it with an operating income of \$32.2 million.

The company then paid \$1.4 million in interest expenses and another \$6.2 million in taxes, leaving it with a net profit of \$24.6 million.

Therefore, with the company consistently aiming to pay out nearly 100% of its net income over the last 12 months, it's paid \$24.3 million in dividend payments.

That may seem risky because it pays out almost all of its net income. However, because its revenue and its expenses are all typically stable year over year, not only is Pizza Pizza an excellent dividend stock, but it's also the perfect company to buy that's easy to understand for new investors.

So, if you're new to investing and looking to find stocks that are simple to follow, Pizza Pizza Royalty is one of the first I'd recommend.

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