



## Passive Income of \$10/Day: Use This 7.83% Dividend Stock

### Description

Income investors refer to high-yield dividend stocks as cash cows. In the current environment, generous [dividend-payers](#) are in high demand. Earning higher-than-average passive income is a great way to cope with the rising prices of goods and services.

The **TSX** has plenty of these so-called dividend machines. However, it's important to consider the interest risks of these companies and their ability to sustain dividend payments during [uncertain times](#). Today, **Diversified Royalty Corporation** ([TSX:DIV](#)) is a cheap option for investors with limited capital.

The current stock price is only \$2.78, but the dividend yield is a juicy 7.83%. If you were to accumulate \$46,000 worth of shares, you could generate \$3,601.80 in passive income annually. This amount translates to \$300.15 monthly or \$10.01 per day.

### Investment thesis

Diversified Royalty is one of the better-performing stocks amid the shaky investment landscape in 2022. It outperforms the broader market year-to-date, +3.77% versus -5.88%. Also, the total return in 3.01 years is a decent 28.3%. This \$345.60 million multi-royalty corporation derives revenues (royalties) from six companies in the royalty pool.

Mr. Lube, a prominent player in Canada's routine automotive maintenance sector, is the lead royalty partner. AIR MILES, Sutton, Mr. Mikes, Nurse Next Door, and Oxford Learning Centre complete the roster in the royalty pool. All of these companies have passed stringent selection criteria.

Diversified Royalty's primary objective is to acquire top-line royalties from well-managed, multi-location businesses and franchisors in North America. Diversification is a central focus as the royalty partners operate across various industries and in different geographic locations. The diverse group delivers predictable, growing royalty streams.

According to management, it intends to increase cash flow per share by making accretive royalty purchases or via growth of purchased royalties. However, the fallout from COVID-19 in 2020 was

harsh on many businesses. Diversified's net loss reached \$8.88 million compared to the \$14.04 million net income in 2019.

Also, in response to the market environment during the pandemic year, the Board of Directors took prudent action to preserve capital and maintain liquidity. It also approved the reduction of the monthly dividend.

## Strong rebound

Fast forward to 2022 and the royalty partners' business performance has vastly improved. In the six months ended June 30, 2022, Diversified collected \$20.57 million in royalty income which is 24% higher than in the same period in 2021.

In Q2 2022, the Adjusted Revenue of \$11.1 million was the strongest ever in a quarter for the multi-royalty corporation. Sean Morrison, President and CEO of Diversified Royalty, said, "We are excited to announce record royalty revenues in Q2 2022, with strong performances across all of our royalty partners."

The distributable cash increased 19% year-over-year to \$15.1 million. Due to record results in the second quarter, the royalty partners' weighted average organic growth rose to 16.4% Nearly all of the royalty partners continue to rebound from the pandemic.

Management welcomes the positive trends demonstrated by certain royalty partners and their franchises. It expects the trends to continue and not regress.

## Pure dividend play

Diversified Royalty is perhaps the most affordable cash cow on the TSX today. Investors can benefit from generous dividends to minimize the impact of high inflation.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:DIV (Diversified Royalty Corp.)

### PARTNER-FEEDS

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

8. Smart News
9. Yahoo CA

#### **PP NOTIFY USER**

1. agraff
2. cliew

#### **Category**

1. Dividend Stocks
2. Investing

#### **Date**

2025/08/14

#### **Date Created**

2022/08/24

#### **Author**

cliew

default watermark

default watermark