Kings of the Food Court: 2 Defensive Mid-Cap Stocks for Income-Hungry TFSA Investors

Description

It's a stormy market, but Tax-Free Savings Account (TFSA) investors should embrace the volatility, as they seek to pick up shares of their favourite companies at potentially sizeable discounts. For investors seeking sizeable dividends or distributions to boost their TFSA passive income, there are many options with stock prices fluctuating wildly. It's uncertain as to when stock prices will stabilize as we inch into the first quarter of 2023.

Regardless, today's depressed share prices have led to swollen dividend yields. As shares bounce back, such yields will shrink accordingly. So, if you're looking for a bit more quarterly (or monthly) income for your invested buck, there's great incentive to brave the rough patch in the market waters.

Canada's kings of the food court seem like worthy bets, as they attempt to recover from an overly bearish year.

Without further ado, consider shares of **MTY Food Group** (TSX:MTY) and **A&W Royalties Income Fund** (TSX:AW.UN). These two mid-cap "kings" of the food court provide affordable food options to hungry mall patrons. For the income hungry, each name can also provide a juicy dividend to sink one's teeth into.

MTY Food Group

With a 1.41% dividend yield, MTY stock doesn't have a sizeable payout. Still, it's a payout that could be subject to growth, as the firm looks to move through another challenging year. During 2020, widespread lockdowns sunk sales. Once lockdowns lifted, the stock recovered in record time, flying around 300% in around a year. Clearly, TFSA investors underestimated the owner and operator of some of the most cherished food court franchises.

With Canadian jobs numbers staying strong, there's a good chance mall traffic could hold its own, even as a recession arrives. This year's Black Friday showed that many consumers have an appetite for a good deal. Malls are a great place to seek out sales. As various retailers look to sell inventory, markdowns and better deals could draw in shoppers. For a king of the food court, MTY stands to benefit greatly. Indeed, bargain hunters need fuel, and MTY is there to offer comfort food at comfortable prices.

A&W Royalties Income Fund

A&W is a legendary burger chain that's seen shares make a comeback in recent months. Since bottoming in November 2022, the stock is up more than 15%. The sudden spike seems more than warranted, as TFSA investors reconsider defensive dividend payers with the ability to shrug off recessions. Though A&W has many standalone locations, its dependence on the mall food court is a tad larger than many other fast-food firms out there. During the pandemic, a lack of drive-thru options worked against it.

Looking ahead, I expect menu innovation and a push toward becoming "healthier" will help power the burger chain back to new highs. Alternative meat burgers and beef raised without the use of hormones or antibiotics could make A&W a preferred choice, as younger consumers look to embrace the old-time brand.

The 5.1% yield itself is quite beefy here, and you won't have to break the bank to pick up shares while they're priced at 17.3 times trailing price to earnings.

In short, A&W is a wonderful fast-food brand with a lot going for it. If anything, a recession could bring forth greater gains, as people pass up on fancy dining for a simple Grandpa burger.

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