What’s Better Than Pizza Stocks? Pizza Stocks That Pay a Dividend!

Description

Investors are likely feeling more hopeful as the bear market drags its feet into the New Year. Undoubtedly, a looming recession could weigh heavily on earnings results. That said, a lot of the fear of a 2023 recession may already be factored into today’s slate of valuations. With $6,500 in TFSA contribution room for 2023, investors shouldn’t hesitate to go bargain hunting, even if you think this bear market has another few months (or quarters) left in it.

Though most pundits view the coming economic downturn as “mild” or “modest,” investors shouldn’t let their guard down. Interest rates are still on the rise, and until the right variables are met (think falling inflation and an economy in need of help from the Federal Reserve), growth stocks could continue to take a beating. Indeed, those unprofitable tech companies may be in for yet another harsh year, as investors focus on sound nearer-term fundamentals.

Let’s have a look at two dividend payers that could make for a relatively smooth ride in what’s sure to be a turbulent year. Without further ado, look no further than Canada’s top pizza plays. During the pandemic, the pizza plays flexed their top-notch delivery capabilities. Nowadays, the pizza firms find themselves in a peculiar spot as recession headwinds move in.

Boston Pizza Royalties Income Fund

Boston Pizza Royalties Income Fund (TSX:BPF.UN) is a more discretionary-flavoured pizza play than the peer group. The firm is behind the dine-in restaurants that took a big hit during COVID lockdowns. Indeed, the stock has seen its relief rally run out of steam in 2022, ending the year virtually flat. That’s a heck of a lot better than the S&P 500, which finished the year down around 20% from its peak.

Though a recession is likely to curb demand for dine-in restaurants, I still think Boston Pizza’s distribution is a thing of beauty. At writing, shares yield 8.12%. The payout is quite stretched but could survive if a recession is, in fact, mild, as many pundits believe. Regardless, Boston Pizza is one of the riskier pizza stocks in the market right now. As such, those seeking to chase yield should put in their homework before jumping into the name. At around 10 times trailing price-to-earnings (P/E), it seems like a lot of the recession woes are already priced in.

Pizza Pizza Royalty

Pizza Pizza Royalty (TSX:PZA) is a more delivery-centric pizza play with a smaller (6.2%) yield than that of Boston Pizza. Though the payout is more modest, I view it as more sustainable and growthy than the likes of a dine-in pizza play like Boston Pizza. Over the past year, PZA stock is up 15%. That's outstanding, given the broader markets finished in the red.

Going into 2023, inflation and recession woes will continue to hit consumer wallets. Pizza Pizza's advantage is its ability to keep costs low relative to the competition. Further, a return of COVID could give a jolt to the fast-food firms with the best delivery capabilities. Undoubtedly, the latest XBB 1.5 Omicron variant could be the strain to keep tabs on in the New Year.

In any case, Pizza Pizza looks like a great defensive way to get paid while you sail through another volatility storm. The stock trades at 16.4 times trailing P/E. That's too cheap for such a Steady Eddie.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

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