



3 Top Small-Cap Dividend Stocks to Buy in January 2023

Description

Small-cap companies will have a [market capitalization](#) between \$300 million and \$2 billion. Usually, these companies are young and tend to possess higher growth prospects. Historically, these companies have outperformed the broader equity markets. However, they are susceptible to market fluctuations, thus making them riskier.

Few small-cap stocks pay dividends, making them attractive for income-seeking investors. Meanwhile, here are my three top picks with dividend yields of over 6%.

Pizza Pizza Royalty

Pizza Pizza Royalty ([TSX:PZA](#)) is my first pick. The company owns and operates Pizza Pizza and Pizza 73 brands through franchisees. Due to its highly franchised business model, economic uncertainties will impact the company's financials less than its peers.

In the first three quarters of 2022, the company posted solid financials, with its same-store sales and adjusted EPS (earnings per share) growing at 16% and 15.6%, respectively. Reopening of non-traditional restaurants and dining spaces amid the easing of pandemic-induced restrictions, new product launches, creative marketing, and strategic partnerships drove its financials.

The company raised its [dividend](#) three times last year amid solid cash flows. Currently, it pays a monthly dividend of \$0.07/share, with its yield for the next 12 months standing at 6%. Meanwhile, Pizza Pizza Royalty is working on expanding its footprint by opening new restaurants. Its restaurant renovation program and investment in strengthening digital and delivery channels could boost its financials in the coming years. So, considering all these factors, I am bullish on Pizza Pizza Royalty.

Extendicare

With a dividend yield of 7.3%, **Extendicare** ([TSX:EXE](#)) is my second pick. The company offers care and services to seniors across Canada under various brand names. It operates 103 long-term-care

homes and retirement communities. With the aging population, the demand for the company's services is rising. However, the company faces challenges, such as a shortage of caregivers and a mismatch between costs and government funding.

Meanwhile, Extendicare has partnered with several colleges to train around 3,000 students yearly at its facilities to overcome the caregivers' shortage problem. It is also working with governments to raise compensation to increase retention and attract new workers. Further, the company has undertaken 20 redevelopment projects, which can add or replace around 4,248 beds. The company's management hopes to complete these projects by the end of the first quarter of 2024. Given its cash and cash equivalents at \$174.6 million, the company is well positioned to cover its dividends.

Corus Entertainment

My final pick is **Corus Entertainment** ([TSX:CJR.B](#)). The Canadian media firm lost around 50% of its stock value in 2022 amid weak quarterly performances. Earlier this month, it posted its first-quarter earnings for fiscal 2023, with its revenue and net income declining by 7% and 59%, respectively. Its free cash flows fell by 74% to \$20.8 million. Amid the steep correction, it trades at a next-12-month [price-to-earnings](#) multiple of 7.4, while its dividend yield stands at 11%.

Meanwhile, Corus Entertainment has expanded its product offerings by adding three Disney channels to its STACKTV. In association with Paramount Global, the company launched Pluto TV, a free ad-supported streaming TV service, last month. Also, the stabilizing macroeconomic and industry factors could support its financial growth in the coming quarters.

Despite the substantial decline in its first-quarter cash flows, the company's free cash flows sufficiently covered its dividends. So, its payouts appear to be safe right now. Its balance sheet looks healthy, with a cash and cash equivalent of \$80.9 million and a revolving credit of \$270 million. So, I believe Corus Entertainment is an ideal stock for income-seeking investors to consider.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:EXE (Extendicare Inc.)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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