



Collect \$1,000 Per Month in Delicious Restaurant Dividends

Description

Before **McDonald's** essentially invented the modern-day franchising concept, restaurants were largely mom and pop businesses. There were a few with multiple locations, but not many. Thus, the whole business of investing in restaurants is a relatively new phenomenon.

In Canada, a common theme has been for some of our leading fast-food chains to create royalty trusts. These financial products give investors first dibs on a certain percentage of royalties paid back to the parent company. These royalties are then paid to investors in the form of generous dividends without any overhead getting in the way.

Restaurant stocks have grown to become very popular with Canadians. Here's how anyone can collect \$1,000 per month in dividends from four of Canada's top restaurant stocks.

Pizza Pizza

There's a lot to like about Canada's pizza leader, **Pizza Pizza Royalty Trust** ([TSX:PZA](#)).

The company has 736 locations across the country under its two banners, Pizza Pizza and Pizza 73. The vast majority of these locations are in Ontario and Alberta, meaning there's plenty of potential for additional growth across eight other provinces. Additionally, the company has done a nice job putting locations in non-traditional spots like movie theaters, sports stadiums, and museums.

Same-store sales growth has been solid, coming in at 2.5% in the latest quarter, matching the growth in the same period last year. This steady growth has led to two small dividend increases over the last year, boosting monthly income from the company to \$0.0697 per share each month. That's good enough for a 6.0% yield.

A&W

A&W Revenue Royalties Income Fund ([TSX:AW.UN](#)) has been a terrific performer for investors since its 2002 IPO, increasing by 191%. If you add in reinvested dividends, the total return approaches 500%.

There are plenty of reasons to continue liking this fast-food chain. Its focus on higher-quality food seems to be working, resulting in same-store sales growth of 8.6% in its most recent quarter. That's not a one-off number either; during the same quarter last year, same-store sales were up 9.1%.

Although A&W's yield of 4.9% might be a little disappointing to investors used to higher yields from peers, its dividend growth has been fantastic. Distributions have been hiked three times in the past year, going from \$0.117 per share each month to \$0.13 currently.

SIR Royalty

SIR Royalty Income Fund ([TSX:SRV.UN](#)) is one of Canada's smallest restaurant royalty trusts. Owned brands include Alice Fazooli's, Canyon Creek Chop House, and its signature brand, Jack Astor's. In total, the company has 57 different locations, mostly in Ontario.

Same-store sales have struggled a bit lately as cash-strapped Canadians choose cheaper options than SIR's upscale restaurants. But it still earns enough to cover the 8.5% dividend, and there's significant potential to take its brands nationwide.

Boston Pizza

Boston Pizza Royalties Income Fund ([TSX:BPF.UN](#)) is Canada's largest fast casual restaurant chain with more than \$1 billion in total sales from its 372 different locations in 2015.

Sales recently increased 2.4% compared with the same period a year ago—a performance that isn't bad considering the chain's reliance on markets like Alberta and Saskatchewan, two provinces hit hard by oil's decline. It's obvious that investments in new menu items continue to pay off.

Shares currently yield 7.4%, a terrific payout in today's low interest rate world. Like many others featured, Boston Pizza has increased dividends recently, upping the monthly dividend to \$0.115 per share in early 2016.

Collect \$1,000 per month

With an average yield of 6.7%, it's easy to see why so many income investors love restaurant stocks.

To collect \$1,000 per month in dividends from these four stocks, it would take an investment of

- 3,600 Boston Pizza shares
- 1,925 A&W shares
- 2,630 SIR Royalty shares
- 2,175 Boston Pizza shares

Admittedly, this is a bit of a tall order for the average retail investor. It would take a total investment of nearly \$190,000 to generate \$1,000 per month from these four stocks.

But generating \$100 per month is quite achievable. That might not seem like much, but it's easily

enough to cover a cell phone bill, tickets to a sporting event, or a nice meal out. Or, better yet, investors can reinvest those dividends, eventually getting to the point where collecting \$1,000 per month is very possible.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:PZA (Pizza Pizza Royalty Corp.)
4. TSX:SRV.UN (SIR Royalty Income Fund)

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Author

nelsonpsmith

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