



These 3 Restaurant Stocks Are Passive-Income Machines

Description

You can easily earn passive income from some of Canada's largest and most successful restaurant brands simply by investing in the royalty funds that hold their trademarks and other intellectual properties. If this interests you, then take a look at these three with high and safe yields of 5-8% that you could buy right now.

1. Boston Pizza Royalties Income Fund

Boston Pizza Royalties Income Fund ([TSX:BPF.UN](#)) owns the trademarks and other intellectual property associated with the Boston Pizza brand in Canada, and it licenses these properties for use in operating and franchising casual-dining restaurants. It's also worth noting that Boston Pizza is the largest casual-dining brand in Canada.

It pays a monthly distribution of \$0.115 per share, or \$1.38 per share annually, which gives its stock a yield of about 7.4% at today's levels.

It's also important to make the following two notes about its distribution.

First, Boston Pizza's two distribution hikes since the start of 2015, including its 6.2% hike May 2015 and its 6.2% hike in February of this year, have it on pace for 2016 to mark the fifth consecutive year in which it has raised its annual distribution.

Second, the company has a target payout of 100% of its distributable cash, so I think its very strong growth, including its 11% year-over-year increase to \$1.364 per share in fiscal 2015 and its 11.5% year-over-year increase to \$0.32 per share in the first quarter of 2016, and its growing royalty pool, including its addition of six restaurants over the last year to bring the total number of restaurants in its royalty pool to 372, will allow its streak of annual distribution increases to continue for many years to come.

2. Pizza Pizza Royalty Corp.

Pizza Pizza Royalty Corp. ([TSX:PZA](#)) owns the trademarks and other intellectual property associated

with the Pizza Pizza and Pizza 73 brands in Canada, and it licenses these properties for use in operating and franchising quick-service restaurants. It's also worth noting that Pizza Pizza is the largest pizza restaurant chain in Canada.

It pays a monthly dividend of \$0.0697 per share, or \$0.8364 per share annually, which gives its stock a yield of about 6% at today's levels.

It's also important to make the following two notes about its dividend.

First, Pizza Pizza's two dividend hikes since the start of 2015, including its 2% hike in April 2015 and its 2.5% hike in November 2015, have it on pace for 2016 to mark the fifth consecutive year in which it has raised its annual dividend payment.

Second, the company has a target payout of 100% of its adjusted earnings available for shareholder dividends, so I think its very strong growth, including its 17.7% year-over-year increase to \$20.77 million in fiscal 2015 and its 12.4% year-over-year increase to \$5.13 million in the first quarter of 2016, and its growing royalty pool, including its addition of six restaurants over the last year to bring the total number of restaurants in its royalty pool to 736, will allow its streak of annual distribution increases to continue for the next several years.

3. A&W Revenue Royalties Income Fund

A&W Revenue Royalties Income Fund ([TSX:AW.UN](#)) owns the trademarks and other intellectual property associated with the A&W brand in Canada, and it licenses these properties for use in operating and franchising quick-service restaurants. It's also worth noting that A&W is the second-largest hamburger chain in Canada behind **McDonald's**.

It pays a monthly distribution of \$0.13 per share, or \$1.56 per share annually, which gives its stock a yield of about 5% at today's levels.

It's also important to make the following two notes about its distribution.

First, A&W's two distribution hikes since the start of 2015, including its 3.4% hike in August 2015 and its 4% hike last month, have it on pace for 2016 to mark the second consecutive year in which it has raised its annual dividend payment.

Second, the company targets an annual payout ratio of at or below 100% of its distributable cash, so I think its very strong growth, including its 7.2% year-over-year increase to \$1.559 per share in fiscal 2015 and its 18.5% year-over-year increase to \$0.326 per share in the first quarter of 2016, and its growing royalty pool, including its addition of 24 restaurants over the last year to bring the total number of restaurants in its royalty pool to 838, will allow its streak of annual distribution increases to continue for many years into the future.

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.)

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Author

jsolitro

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