



## Investors: Collect \$1,000 Per Month in Succulent Restaurant Dividends

### Description

Much to the chagrin of frugal folks and home chefs everywhere, eating out has become ingrained in our culture.

It's not just so-called foodies who are doing the eating out either. Each night, millions of Canadian eaters fill our restaurants and use both the telephone and the web to order take-out and delivery, getting everything from traditional favourites to food that you have to be truly brave to try for the first time.

Restaurants have long been a staple in investment portfolios as well. Some of the world's largest stocks are companies like **McDonald's** or **Starbucks**, massive worldwide chains with tens of thousands of locations. Others are much smaller, attracting investors with high dividend yields or enticing growth prospects.

Here in Canada, investors have a virtual smorgasbord of restaurant stocks to choose from with many paying fantastic dividend yields. Here are three of my favourites.

### Pizza Pizza

**Pizza Pizza Royalty Corp.** ([TSX:PZA](#)) is Canada's largest chain of pizza restaurants, boasting nearly 740 locations across Canada. Some 640 locations are Pizza Pizza branded, while the company also has 100 Pizza 73 locations, which are mostly in Alberta.

The company is a steady, albeit unspectacular, grower. Same-store sales, a key metric of the restaurant business, crept up 4.5% in the company's fiscal 2015, which lead to two separate dividend increases. After solid first-quarter results in 2016, the company hiked the dividend an additional 2.4%.

The company has attractive expansion opportunities. It only has 41 stores in Quebec and 10 in British Columbia, compared to 552 in Ontario. There's plenty of expansion opportunity in provinces like Manitoba and Saskatchewan, too.

Shares of Pizza Pizza are currently trading at \$14.74—a 52-week high. Shares yield 5.8%.

## A&W

**A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)) has grown to be one of Canada's largest burger chains with 854 locations across Canada. System-wide sales hit \$1.1 billion in 2015.

A&W's recent growth story has been nothing short of spectacular. Same-store sales surged in 2015, increasing 7.6%. That's after 6.3% growth in 2014, showing the company's marketing focus on higher-quality ingredients is working. Thus far in 2016 growth has been even better with same-store sales increasing 8.6%.

These sales increases have led to some impressive dividend hikes. At the beginning of 2014 shares paid a dividend of \$0.117 per month. After the most recent dividend increase, the monthly payout is \$0.13 per share. That's an increase of more than 11% in just 2.5 years.

A&W shares currently trade at \$33 each, which is an all-time high. They yield 4.7%.

## The Keg

There are hundreds of steakhouses in Canada, but only one has true nationwide recognition. **Keg Royalties Income Fund** ([TSX:KEG.UN](#)) is the nation's largest steak restaurant with more than 100 restaurants coast to coast. The company also has a smattering of locations in the United States.

The company has been affected by Canada's somewhat weak economy, as eaters choose lower-priced options versus expensive steaks. Still, same-store sales did increase by 1.1% in the company's most recent quarter, and overall sales increased 0.3% despite the closing of two restaurants.

People who invest in the stock with impressive company. Famed Canadian value investors **Fairfax Financial Holdings** bought a controlling stake in the Keg back in late 2013 and owns 51% of the company.

Keg shares currently trade at \$18.26 each, well off the 52-week high of \$20.84. Shares yield 5.9%.

## Collect \$1,000 per month

It isn't hard to collect some serious dividends from these three Canadian restaurant leaders. Investors can collect \$1,000 per month by

- buying 4,670 Pizza Pizza shares for a total investment of \$68,835;
- buying 2,561 A&W shares for a total investment of \$84,513; and
- buying 3,700 Keg shares for a total investment of \$67,562.

Perhaps an investment of \$220,091 is a little beyond your reach. An investment of \$22,009 would still generate dividends of \$100 per month—enough to pay for a cell phone or cable bill.

## CATEGORY

1. Dividend Stocks

2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:KEG.UN (Keg Royalties Income Fund)
4. TSX:PZA (Pizza Pizza Royalty Corp.)

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## Date

2025/08/26

## Date Created

2016/07/05

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