# Is Keg Royalties Income Fund or A&W Revenue Royalties Income Fund Better for Yield-Hungry Investors?

## Description

Canadians are constantly searching for the best stock to put in their income portfolios.

Let's take a look at **Keg Royalties Income Fund** (TSX:KEG.UN) and **A&W Revenue Royalties Income Fund** (TSX:AW.UN) to see if one is more attractive today.



**The Keg**

The first Keg opened its doors in 1971, and Canadians have flocked to the restaurants ever since.

Surviving that long in the high-end space is a testament to the company's ability to appeal to the simple things Canadians want in a dining experience: great food served by friendly staff in a fun and sometimes lively atmosphere.

The menu has varied somewhat over the years, but the main draw remains the steak, ribs, and tasty bread. The Keg's large bar is also a popular place for friends to meet after work through the winter months, and the spacious patios are always full in the summer.

The recipe remains a success and 100 locations now contribute to the royalty pool. Royalty income rose 1.8% in Q2 2016 compared with the same period last year.

Investors have enjoyed strong distribution growth in recent years. The Keg raised the payout three times in 2015 and twice again so far in 2016. The current monthly payout of $0.0918 per unit offers a yield of 5.35%.

**A&W**

The burger segment has no shortage of competitors, but A&W stands out among the crowd.

How?

The company has launched an ad campaign that touts the quality of its ingredients: beef raised without the use of hormones and chicken raised without the use of antibiotics.

That might not sound like a slogan that would make your mouth water, but it appears to be working. In fact, same-store sales were up 2.7% year over year in Q2 and jumped 5.4% for the first half of 2016.

The company finished Q2 2016 with 858 restaurants and had 23 new locations under construction or in the permitting stage.

One thing that stands out at A&W is the number of patrons who are retirees. Boomers flocked to the restaurant when they were teens and continue to enjoy the juicy burgers and famous root beer.

A&W recently raised its monthly payout to $0.133 per unit. At the current price investors get a yield of 4.6%.

**Which one is a better pick?**

Both companies have strong brands and pay growing distributions.

Steak fans who simply want the highest yield should go with the Keg. The only concern I have with the steakhouse is the risk that a recession could hit the expense accounts of business customers who are an important part of the sales mix.



If burgers are more to your taste and you are looking for yield plus some attractive growth potential, A&W is probably the better bet.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:KEG.UN (Keg Royalties Income Fund)

**Category**

1. Dividend Stocks
2. Investing

**Date**
2025/08/19
**Date Created**
2016/10/20
**Author**
aswalker