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3 Ways to a Pizza Delight

Description

The pizza market is HUGE.

How huge? Read on.

Domino's Pizza, Inc. (NYSE:DPZ), which went public in July 2004, has achieved a cumulative total return of 2,401% through January 13, 2017. By comparison, **Alphabet Inc.**, Google's parent, which went public a month later, delivered 1,556% for its shareholders over the same period.

A pizza stock beat a tech stock over an extended period of time, proving to investors that there's money to be made from the simple pleasures in life. With that in mind here are three ways to a pizza delight.

The first way

We Fools here in Canada are focused on Canadian stocks, so the natural place to look to profit off pizza is to identify the players that are publicly traded on the S&P/TSX Composite Index.

As the headline of this story suggests, one of the companies worth considering is **Imvescor Restaurant Group Inc.** (TSX:IRG), a franchisor of various restaurant concepts, including Pizza Delight, a New Brunswick-based pizza franchise with 90 locations in Atlantic Canada, Quebec, Ontario, and Alberta, and famous for its garlic fingers and donair sauce. Other familiar brands include Baton Rouge and Toujours Mikes.

It's a small-cap stock, so do your homework, but it does make money and pays a dividend currently yielding 2.7%.

The second way

Last October I highlighted the fact that the industry, while growing, has too many stores. Those in the know, such as Domino's CEO Patrick Doyle, believe industry consolidation is going to ramp up in the next few years with many small chains getting bought out by the big boys.

I wondered if **Pizza Pizza Royalty Corp.** (TSX:PZA) would win or lose in such a scenario.

Clearly, Pizza Pizza (the operating company and privately owned) would be an attractive candidate for an interested party such as Domino's, but it's also possible that Pizza Pizza would do a little consolidating of its own, which would add to the restaurant pool, increasing the royalties paid to Pizza Pizza Royalty Corp.

Pizza Pizza's same-store sales in fiscal 2016 increased 1.9%, and they would have been higher if not for the poor performance of its Albertan stores, which are still suffering from low oil prices.

Coming off a strong stock performance in 2016 — up 35.6% — it currently pays a monthly dividend of $0.07 which translates to a dividend yield of 5% at current prices — a big plus for income investors.

The third way

Many of you might know **Boston Pizza Royalties Income Fund** (TSX:BPF.UN) because of Boston Pizza's co-owner and *Dragons' Den* TV personality, Jim Treliving. Once an RCMP officer, he's been in the pizza game since 1968 along with business partner George Melville.

Like Pizza Pizza, Treliving and company operate the franchise business, while Boston Pizza Royalties shareholders receive 11.5 cents per month for their share of the 5.5% royalty received from the 383 restaurants currently included in the royalty calculation.

The big difference between Pizza Pizza's royalty business and Boston Pizza's is the type of restaurant operated by their licensees. One is primarily a take-out business, and the other focuses on casual dining.

While Boston Pizza Royalties Income Fund's dividend yield is 6.1%, 110 basis points higher than Pizza Pizza, I'd go with Pizza Pizza because its same-store sales are much healthier.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:DPZ (Domino's Pizza)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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1. Investing

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