# Better Buy: Imvescor Restaurant Group Inc. or Boston Pizza Royalties Income Fund?

## Description

**Imvescor Restaurant Group Inc.** (TSX:IRG) is primarily involved in the franchising and licensing of its restaurants, which are all in eastern Canada. The company operates under several brands, including Pizza Delight and Ben & Florentine, which Imvescor acquired earlier this year. The company is working on improving same-store sales and being able to improve the profitability of its franchisees, while also looking for other possible acquisition targets.

**Boston Pizza Royalties Income Fund** (TSX:BPF.UN) generates sales primarily from royalty income that it collects from Boston Pizza restaurants in Canada. The brand has locations all across the country, although growth has started to slow as 11 new restaurants were opened in 2016, but year to date, only two have been opened in 2017. However, there are nine new locations that are currently under construction.



Although these two companies are both in the restaurant industry, Boston Pizza is a very saturated business with many locations across Canada, while Imvescor is focused on eastern Canada and has much more opportunity to grow. The real question for investors is whether it is better to invest in the stable but possibly stagnant Boston Pizza brand, or if Imvescor is the better bet with more opportunities for growth and expansion.

**A look at recent performance**

Let’s have a look at the income statements to see how well these two companies have done.

In the most recent fiscal year, Imvescor totaled revenue of $53 million, which was more than Boston Pizza’s royalty revenue of $43 million. It’s important to remember that it is just royalty revenue, and not the total revenue of Boston Pizza locations.

The fund has seen steady growth over the years with a 37% increase in its top line during the past three years, and a growth of 8% in the most recent year. Imvescor has not seen the same type of growth, and although revenue was up 19% from 2015, sales were down 4.6% the previous year.

More importantly, the bottom line for Imvescor has grown from just $2 million and a 5.7% profit margin in 2013 to a profit of $11 million in the most recent year and net margin of over 21%. Boston Pizza has also seen strength in its bottom line, rising from $14 million three years ago to almost $38 million in 2016, and it too has seen profit margins rise from 46% to 86% during that time.

In the most recent quarter, Imvescor saw revenues rise 16%, while net income was up 23% from a year ago. Boston Pizza’s revenues of $11 million were flat, but profits were down 20% as the company saw more favourable fair-value adjustments in the prior year.

### Current valuation

Imvescor's share trades at about 18 times its earnings and 2.5 times book value compared to Boston Pizza's stock, which trades only 13 times its earnings and 1.7 times book value.

### Bottom line

For dividend investors, Boston Pizza might be the ideal investment given it is a stable and well-known brand in the country. The stock pays a dividend of 6%, while the share price has been flat in the past year. However, for investors looking for greater growth opportunities, Imvescor certainly offers more avenues for revenues to grow, and its sales could easily surpass Boston Pizza's growth with more acquisitions.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)



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