



3 Restaurant Stocks Yielding Over 5% to Buy for Income

Description

Did you know that you could earn passive income from some of Canada's most popular restaurant brands by investing in the public entities that own their trademarks? Well, you sure can, so let's take a closer look at three with yields of 5-8% that you can buy right now.

SIR Royalty Income Fund ([TSX:SRV.UN](https://www.sir.ca/TSX:SRV.UN))

SIR owns certain trademarks associated with the SIR Corp. family of restaurant brands, which includes Jack Astor's Bar & Grill, Canyon Creek Chop House, and Loose Moose Tap & Grill. It licenses these properties to SIR Corp. in exchange for a royalty of 6% of sales at the restaurants in its royalty pool, which has 57 restaurants as of September 30, 2017.

SIR pays a monthly distribution of \$0.095 per unit, representing \$1.14 per unit annually, which gives it a 7.7% yield.

Investors must note that SIR has paid monthly distributions since November 2004 and maintained its current rate since June 2013, which means it's a reliable income provider. It also has a target payout ratio of 100% of its distributable cash, so I think its strong growth, including its 3.4% year-over-year increase to \$0.90 per unit in its nine-month period ended September 30, 2017, and its improving payout ratio, including 95% in that nine-month period compared with 98.3% in the same period in 2016, will allow it to announce a slight hike in 2018 if it maintains its positive momentum.

Keg Royalties Income Fund ([TSX:KEG.UN](https://www.keg.ca/TSX:KEG.UN))

Keg Royalties indirectly owns certain trademarks and other intellectual properties associated with the restaurant brand The Keg in Canada and the United States. It licenses these properties to Keg Restaurants Ltd. in exchange for a royalty of 4% of sales at the restaurants in its royalty pool, which has 100 restaurants as of September 30, 2017.

Keg Royalties currently pays a monthly distribution of \$0.0946 per unit, representing \$1.1352 per unit annually, giving it a yield of about 5.7% today.

On top of being a high yielder, Keg Royalties has been growing its distribution at an impressive rate; it raised its annual distribution for three consecutive years, and its recent hikes, including its three hikes in 2017, have it on track for 2018 to mark the fourth consecutive year with an increase.

Like SIR, Keg Royalties has a target payout ratio of 100% of its distributable cash, so I think its consistently strong growth, including its 4% year-over-year increase to \$0.904 per unit in its nine-month period ended September 30, 2017, will allow it to continue to grow its distribution in 2019 and beyond.

Boston Pizza Royalties Income Fund ([TSX:BPF.UN](#))

Boston Pizza Royalties indirectly owns certain trademarks associated with the Boston Pizza restaurant brand in Canada. It licenses these properties to Boston Pizza International for use in operating and franchising restaurants in exchange for a royalty of 5.5% of sales at the restaurants in its royalty pool, which has 391 restaurants as of January 1, 2018.

Boston Pizza Royalties currently pays a monthly distribution of \$0.115 per unit, representing \$1.38 per unit annually, which gives it a 6.3% yield today.

Like Keg Royalties, Boston Pizza Royalties is known for distribution growth as 2017 marked the sixth straight year in which it has raised its annual distribution. I think the company's slowed growth of distributable cash, including its year-over-year increase of just 0.2% to \$1.049 per unit in its nine-month period ended September 30, 2017, may cause the company's streak of annual increases to end in 2018, but I am also confident that it can get back on the path of +3% growth to get a new streak started in 2019.

Which should you buy?

Including reinvested distributions, SIR has returned nearly 16% since I first recommended it on [July 12, 2016](#), Keg Royalties has returned more than 19% since I first recommended it on [June 24, 2016](#), and Boston Pizza Royalties has returned more than 54% since I first recommended it on [January 27, 2016](#). I think these income funds are all still great buys today, so take a closer look and consider adding one of them to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:KEG.UN (The Keg Royalties Income Fund)
3. TSX:SRV.UN (SIR Royalty Income Fund)

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