

These 3 Restaurant Stocks Will Feed Your Retirement

Description

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) is probably the most popular restaurant stock on the **S&P/TSX Composite Index**.

However, its total debt is [83%](#) of its market cap, making it far too leveraged for the average investor's retirement portfolio.

Don't get me wrong. Restaurant stocks are an excellent way to feed your retirement because people have to eat. However, I don't think the trio of Tim Hortons, Burger King, and Popeyes is the way to go.

For my money, these three restaurant stocks will all deliver the goods over the long haul without nearly as much exposure to debt.

A&W Revenue Royalties Income Fund ([TSX:AW.UN](#))

If you watch enough television, there's a good chance you've seen one of the many A&W commercials touting the burger chain's numerous products, including the Beyond Meat meatless burger — a massive success in 2018.

Now, it's important to remember that A&W doesn't own the restaurant locations serving up these tasty meatless burgers. It owns the trademarks behind the A&W name getting a quarterly royalty payment against sales at the restaurant locations included in the royalty pool.

In good times and bad, A&W Revenue Royalties takes a cut of revenues without having to spend on capital expenditures, etc. As of the third quarter ended September 30, A&W Revenue Royalties had \$60 million in total debt or 13% of its market cap, far less than Restaurant Brands International, while still yielding [4.8%](#), or 150 basis points more.

If you like a steady dividend, AW.UN is an excellent, low-risk choice.

MTY Food Group ([TSX:MTY](#))

On January 21, the Montreal-based restaurant conglomerate announced that it was increasing its quarterly dividend by 10% to 16.5 cents a share, the company's seventh increase in its dividend rate since it first started paying one in 2010.

Now paying 66 cents on an annual basis, MTY stock is currently yielding 1%, a reasonable amount given the capital appreciation — 24% annualized over the past decade — the company has experienced since initiating the dividend.

I've been skeptical about the company's ability to keep making and successfully integrating acquisitions into the fold, but the MTY management team, including CEO Eric Lefebvre and founder Stanley Ma, who stepped down as CEO in November to become chairman of the board, continue to execute at a very high level.

Ma built MTY into a company with more than 700 employees looking after its ongoing development. With the founder able to spend more time focusing on the big picture, MTY's future should continue to be very bright over the next few decades.

Recipe Unlimited ([TSX:RECP](#))

Formerly Cara Operations, Recipe Unlimited currently yields 1.5%, putting it smack dab in the middle between AW.UN and MTY.

Fool contributor Ambrose O'Callaghan recently discussed Recipe Unlimited's business, [suggesting](#) that it might not fare well in the coming years given that many of its banners are casual dining establishments rather than quick-service restaurants, which younger people tend to prefer.

I'm not going to contest that opinion.

Instead, I believe that whether we were talking about Cara in the past or Recipe Unlimited today, it always seems to find a way to rev up growth, whether through acquisitions or organically. In the quarter ended September 30, RECP had same-store sales growth of 1.8%, the company's fifth consecutive quarter of SSS growth, thereby suggesting that the sales downtrend it was on in the first half of 2017 has reversed itself.

With the Keg acquisition expected to add more than \$600 million in annual sales, Recipe Unlimited should finish 2018 with \$3.4 billion in sales and annual EBITDA of \$211 million.

As it heads into fiscal 2019, Recipe Unlimited will work to deliver higher profitability from its increased revenue base. Long term, the Keg deal should prove to be a profitable one.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:MTY (MTY Food Group)
4. TSX:QSR (Restaurant Brands International Inc.)
5. TSX:RECP (Recipe Unlimited)

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