



Get Free Food for Life Owning Canada's Best Restaurant Stocks

Description

Like many people reading this, I go out for meals far too often. My taste buds like this arrangement, but my wallet and waistline certainly don't.

Although I always love trying a unique new place, often I'll end up at one of Canada's many chain restaurants. These places are almost always conveniently located, reasonably priced, and perhaps most important, I know what I'm getting. The food is consistently good.

It's obvious that millions of other Canadians agree with me. These restaurants are constantly busy, with everyone from families to senior citizens enjoying a meal out. Whenever I see something like this, I immediately realize there's an investment opportunity.

In fact, if you invest enough into top restaurant stocks, you'll earn enough in monthly dividends to fund your eating out habit — and then some. Let's take a closer look.

Canada's best restaurants

Investors can get exposure to thousands of underlying restaurant locations by buying just three stocks.

The first is Canada's largest pizza chain, **Pizza Pizza Royalty Corp** ([TSX:PZA](#)). The company's two main brands are Pizza Pizza — which boasts some 650 locations, mostly in eastern Canada — and Pizza 73, which is big in Alberta. Together, the two brands combine for approximately \$546 million in sales from 750 locations.

The bad news is that recent results have been somewhat lackluster. The company reported that same-store sales — a primary gauge of health in the restaurant business — declined 1.6% in 2018, because of lackluster value offerings, consumers switching to healthier options, and meal delivery apps allowing folks to get delivery from almost any restaurant.

I'm convinced that the chain can turn things around, however. In fact, 2019 will see the company put a greater emphasis on its value proposition, as well as further introducing some healthier options like a

pizza with a cauliflower crust. While investors wait for this turnaround, they get to collect an 8.5% dividend.

Speaking of pizza, let's look next at **Boston Pizza Royalties Income Fund** ([TSX:BPF.UN](#)). Boston Pizza is Canada's largest fast casual restaurant brand, with total system-wide sales recently surpassing \$1.1 billion annually.

The stock has quietly been a great performer since its 2002 IPO. Highlights of its time as a publicly traded company include giving shareholders an average annual return of 12%, and passing on 18 different distribution increases. The stock currently yields 7.9%, giving investors an impressive mixture of current yield and growth in the distribution.

Same-store sales growth was a mere 0.1% in 2018, primarily because the company's Alberta restaurants continue to struggle. It plans to right the ship by offering better promotions in 2019, as well as further leveraging technology to increase the average bill size. Boston Pizza is also a master at trying new items. 2019 will see dozens of new items hit menus, and perhaps one will be a big hit.

Finally we have **Keg Royalties Income Fund** ([TSX:KEG.UN](#)), a chain of 105 higher-end restaurants specializing in steak. Canadians are well aware of the brand, which the company hopes to capitalize on with a U.S. expansion. There are 10 restaurants currently in the United States.

Keg's 2018 results were decent, with same-store sales increasing 1.5%. The U.S. operations led the way with a 4.5% increase over 2017's final numbers, while Canadian results came in at a more tepid 1.2%. First-quarter numbers in 2019 were slightly better, with same-store sales increasing 1.8%.

The company's dividend isn't quite as good as the other two mentioned, but Keg still offers investors a currently yield of 6.6%.

Never pay for a meal again

You'd have to be eating out quite a lot to hit \$1,000 per month in restaurant spending. So as long as we get \$1,000 in monthly dividends from these 3 companies, let's say we'll never pay for a meal out again.

To collect \$333 from each of these stocks, you'd need to invest:

- 4,690 Pizza Pizza shares for a total investment of \$47,040
- 2,895 Boston Pizza shares for a total investment of \$50,059
- 3,505 Keg shares for a total investment of \$60,636

Put the three investments together and we're looking at a total capital outlay of approximately \$158,000.

Remember, you don't have to invest that much. An investment just shy of \$16,000 would spin off \$100/month in passive income, which still buys a lot of pizza.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:KEG.UN (Keg Royalties Income Fund)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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