



## TFSA Investors: Collect Succulent Dividends From Canada's Top Restaurant Chains

### Description

Billionaire investor Warren Buffett is a big fan of investing in restaurant chains, and it's easy to see why.

First and foremost, everyone has to eat. And although everyone says they'd like to save money by eating at home more often, it just doesn't happen. We keep going to restaurants or, increasingly, having food delivered to our houses.

Although unique restaurants will always get more attention on review sites or on the Food Network, there are many reasons why an entrepreneur would choose to open a chain restaurant location instead. There's no need to reinvent the wheel when taking over a franchised fast-food joint. A thousand previous operators have figured out how to deal with issues. All food sourcing is taken care of. And if your location runs into issues, there's a seasoned team of professionals you can call to get the place running smoothly again.

These chains collectively spend billions of dollars annually on advertising, which ensures they'll get a fair share of the market. New variations of existing products are always on the menu too, which also helps drive traffic.

In other words, don't bet against Canada's top chain restaurants. I think they're great long-term investments, especially for investors who want dependable dividends. Let's take a closer look at three of Canada's top chains.

### A&W

2018 was a monster year for **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](https://www.scribd.com/document/444444444/TSX-AW-UN)). Thanks to the introduction of its Beyond Meat burger, continued emphasis on quality ingredients, and choice to team up with the various food delivery services, same-store sales grew some 10% in the year. That's a terrific result for Canada's second-largest burger chain.

First-quarter results were even stronger, with total sales up more than 15% versus the same quarter

last year. New restaurant locations also boosted the top line. The company responded to these great results by increasing the dividend. This marks the third time A&W has boosted its payout over the last year, increasing it nearly 8%. The current yield is still a robust 4.2%.

A&W shares are up some 30% thus far in 2019 and have given investors a total return of 19.1% over the last decade if dividends were reinvested. It's a [must-own stock today](#).

## Boston Pizza

**Boston Pizza Royalties Income Fund** ([TSX:BPF.UN](#)) is Canada's largest fast-casual restaurant chain. The company has restaurants spread across Canada and should generate approximately \$1.1 billion in total system-wide sales in 2019.

Boston Pizza's underlying results aren't nearly as impressive as A&W's. Thus far in 2019, the company has posted same-store sales that were essentially the same as last year's results, weighed down by continued weakness in Alberta. Other regions are doing better, but as a whole the company is struggling with increasing the top line.

The good news for investors is this weakness gives us opportunity to load up on cheap shares. The stock trades at approximately 12 times earnings versus more than 20 times earnings for A&W. And the dividend is much more attractive, checking in today at 7.9%.

## The Keg

**Keg Royalties Income Fund** ([TSX:KEG.UN](#)) has become Canada's go-to steak restaurant. The chain has 105 restaurants, with a few locations in the United States. These locations collectively did approximately \$630 million in sales in 2018.

The Keg's recent results are pretty much a mixture of A&W's terrific growth and Boston Pizza's more tepid sales. Same-store sales increased 1.8% in its most recent quarter, driven by a 3.8% increase in the company's small U.S. presence. 2018 saw same-store sales increase by 1.5%. These are solid numbers, albeit not spectacular.

The company's shares offer a nice combination of [current yield today](#) and the potential for growth in the future. The stock yields 6.6% today, which is an excellent choice for investors looking for a nice payout. The company should also be able to increase its distribution as it expands more into the United States. Who knows? In a decade or two, we might be talking about a company with a few hundred locations south of the border.

### CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

## TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:KEG.UN (Keg Royalties Income Fund)

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