TFSA Investors: This 1 Passive-Income Stock Is a Must

Description

Imagine cutting into a perfectly cooked striploin steak paired with creamy mashed potatoes and grilled vegetables. As you take a bite of the steak, the juices coat the inside of your mouth, creating a steak experience like no other.

You proceed to cut another piece of the tender meat, and several bites later you're surprised that you already ate it all. When you dine at The Keg, this is a regular occurrence.

For those of you with a TFSA, **Keg Royalties** (TSX:KEG.UN) is the perfect complement to your portfolio due to its increasing revenues and high dividend yield.

Increasing revenues

As the name suggests, Keg Royalties earns its income from the royalty fee that its franchisees pay the corporate entity. The Keg Restaurants are high-end steakhouses that specialize in high-quality food and drinks.

The Keg has restaurants across Canada and is headquartered in Richmond, British Columbia. From fiscal 2014 to fiscal 2018, the company's revenues increased from $21 million to $25 million. This increase is driven by increases in same-store sales as well as the addition of three new restaurants, which brings the total number of restaurants to 103.

Across Canada, the restaurants made $632 million in revenues for fiscal 2018, which is up from $601 million the prior year. There is strong indication that revenues from restaurants will continue to increase, as the industry is expected to grow 4.6% per year between 2018 and 2022.

The company has been a leader in the restaurant industry in Canada for the past 45 years, which suggests that it will continue to grow and deliver solid dividend payouts to its income fund holders.

High dividend yield

At the time of writing, Keg Royalties has a dividend yield of 6.93% which is paid out monthly. On a per-share basis, the dividend payout is $0.0946.

Although this payout is less than **Boston Pizza** at 7.963% and **Pizza Pizza** at 8.455%, what makes Keg Royalties so unique is the industry it operates in.

Contrary to Boston Pizza, Pizza Pizza and **A&W**, Keg Royalties focuses on a high-end casual dining experience, where customers can come into the restaurant and sit down for a nice meal. This means the company competes in a class above the other income funds, which partially insulates it to competition.

People who are craving a slice of pizza for dinner are unlikely to be conflicted between pepperoni or a prime rib.

Bottom line

One of the most important things for a TFSA investor is to put money in growth stocks as well as dividend stocks. Growth stocks give the investor an opportunity to make capital gains, whereas dividend stocks help to offset some of this risk by providing a steady stream of income.

What makes Keg Royalties such a good investment is its future growth potential and a high dividend yield. Keg Royalties operates in an industry that’s expected to grow an average of 4.6% between 2018 and 2022. Further to this, it has a current dividend yield of 6.93%.

Despite the dividend yield being less than many other income funds, Keg Royalties operates in a unique industry, which means the challenges inherent for Pizza Pizza and Boston Pizza are not present for Keg Royalties. This allows investors to benefit from the niche market The Keg restaurants cater to.

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Date
2025/08/23
Date Created
2019/09/15
Author
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