



The Tastiest Billionaire Stock in Canada for RRSP Investors

Description

Boston Pizza Royalties Income Fund ([TSX:BPF.UN](https://www.bse.com/quote/TSE/BPF.UN)) operates as a [limited purpose open-ended trust](#) and is located in 10 provinces and two territories across Canada, providing regional diversity. The company owns trademarks and trade names used by Boston Pizza International Inc and operates as a franchisor of casual dining pizza and pasta restaurants.

Boston Pizza is Canada's number one casual dining brand and continually improves menu offerings, guest experience, and restaurant design. The company's success has allowed the franchise model to grow and prosper in new locations across Canada, and the company serves more than 50 million guests annually. There are currently 396 Boston Pizza locations in Canada, stretching from British Columbia to Newfoundland. Boston Pizza serves more customers than any other full-service restaurant brand in Canada.

The company is entitled to receive 5.5% of franchise sales of Boston Pizza Restaurants in the royalty pool less the pro-rata portion payable to Boston Pizza International Inc. Any new Boston Pizza Restaurants opened during a calendar year are automatically added to the royalty pool at the start of the following year. Since 2002, the royalty pool has expanded fast from 154 to 396 Boston Pizza Restaurants.

The structure of the company provides shareholders with top-line royalties from Boston Pizza Restaurants. All operating costs for Boston Pizza Restaurants and capital investments for new locations are funded by franchise owners. The company has no capital expenditures and only administrative expenses, taxes, and interest on debt and, hence, maintains a payout ratio of 100% to shareholders. The company has five corporately owned restaurants.

The company has provided cash distributions to shareholders in each month since the [initial public offering](#) in July 2002 and has paid out 199 consecutive monthly distributions totaling \$309.3 million, or \$20.76 per share. There have been 18 increases to the monthly distribution rate.

The company appears committed to grow distributions and has had an average same-store sales growth of 2.7% since 2002. From an investor's perspective, it is particularly attractive that the revenue

stream is tied to franchise sales, and as such, investors are not directly exposed to underlying business profitability or expenses. The company has diverse revenue streams from restaurants, sports bars, take-outs and deliveries, which reduces risk. Several franchise owners own multiple locations resulting in a strong and stable franchisee base with long-term franchisees.

The company constantly updates restaurants through renovations and has completed 221 renovations over the last five years. Boston Pizza also has a strong long-term track record of growth in restaurants, franchise sales, and distributable cash per unit. At present, the company has annual system-wide gross sales of over \$1.1 billion. Distributable cash per share amounted to \$1.336, and same-store sales growth was 0.1% for the year. Last year, Boston Pizza opened five new full-service restaurants.

This is a neglected, highly profitable, and iconic Canadian restaurant stock. Investors are not exposed to increased expenses, and this makes the company highly attractive to any investor worried about the impact of higher wages in Ontario caused by the recent minimum wage hike. People love dining at Boston Pizza, and this should serve company shareholders well in the decades ahead.

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