



## Fatten Up Your TFSA With These 3 Restaurant Stocks

### Description

With the constant threat of an economic downturn on the horizon, I feel the need to get defensive. There is no better way to fatten up your TFSA savings than by packing it with burgers, pizza, and donuts. But this is the kind of heft you want to pack on, and these restaurant stocks deliver the goods.

### Warren Buffett likes this stock

What better way to pick a stock than by following in the footsteps of an investing master? Warren Buffett has been in this company from the beginning, ever since Tim Hortons and Burger King were combined into **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)); the ticker symbol stands for “Quick Service Restaurant.”

Although international trade has been a bit rocky recently, QSR has been pushing ahead with its expansion plans. The company has already been actively opening Tim Hortons locations in the United States and is beginning to look further afield towards China and beyond.

The expansion has helped fuel earnings in recent years, with sales growing by 6% year over year in the third quarter of 2019. Popeyes had solid growth with same-store sales, increasing by 9.7% over the past year. Unfortunately, the shares took a big hit as Tim Hortons’s performance, which accounts for around 60% of its total revenue, disappointed.

The good news is that this lower price presents a nice buying opportunity for [long-term investors](#) who want to lock in the 3% yield. This U.S. dollar-denominated yield has been steadily growing with an 11.1% increase earlier this year.

### Canadian burger legend

If you are wanting to keep your money closer to home, **A&W Royalties Income Fund** ([TSX:AW.UN](#)) is a pretty tempting choice. This brand is well known across Canada for its burgers and root beer and more recently for its focus on hormone-free beef.

A&W pays a great [dividend](#) that is supported by royalty streams that are generated by restaurant sales. About 3% of the sales of each of the restaurants operating across Canada go to the fund. This separates investors somewhat from the restaurant operating risk; although, if it stops selling burgers, it will not be positive for the fund, I'm sure.

Presently, the fund is having no problem collecting revenue from its licensees. The yield is over 5% today, since the stock has fallen a bit in recent weeks. But even without the pullback in the share price, the company has been pretty generous with dividend increases, raising the payout by 2.8% this year alone.

## Pizza anyone?

If burgers aren't your thing, maybe pizza is more your style. In a similar manner to A&W, **Boston Pizza Royalties Income Fund** ([TSX:BPF.UN](#)) collects revenues from its franchise sales systems and pays them out to unitholders. The company has 396 restaurants across Canada paying into the fund.

Right now, the income fund pays a yield of over 9.5% to unitholders. This is a pretty sweet yield, but it might ring some alarm bells with investors who worry about a distribution cut. The fund has not raised the distribution in some time, either. Nevertheless, this high yield is pretty enticing for any new investors looking to take advantage of the pullback.

A same-store sales decrease of 4.2% and a high payout ratio of around 100% combined with a decrease in distributable cash flow are frightening investors at the moment, but that might make it a good time to get back in.

## These companies will add bulk to your TFSA

I have written these stocks in order of my preference. I like QSR's dividend and business growth, making this my favourite of the three for total return. The Canada-centric A&W is a close second for similar reasons, although its growth may be less significant due to the size of the market.

I am not as thrilled about Boston Pizza, although a large payout is enticing at this level and looks to be somewhat safe at these levels for the time being. Whichever you choose, you are presently getting these cash-generating stocks at a discount, as the whole group has continued to pull back. They will put money in your TFSA's tax-free pockets for years.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

## **TICKERS GLOBAL**

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
4. TSX:QSR (Restaurant Brands International Inc.)

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