



## 1 High-Yield Burger Chain Stock to Own That Isn't McDonalds

### Description

If you talk about the world's most popular name in the quick-service restaurant (QSR) industry, but of course it is **McDonald's**. However, this restaurant chain that Ronald McDonald endorses is a latecomer. The company didn't open in the U.S. until 1955.

A root beer king that opened in America in 1919 was the first-ever restaurant chain. **A&W** ([TSX:AW.UN](#)) came to Winnipeg in 1956 to become Canada's first hamburger QSR.

The first store was a free-standing drive-in restaurant. Within 10 years, the drive-in restaurants grew to 200 to the delight of baby boomers and their families.

### Many firsts

In the 80s, A&W became the first hamburger QSR chain to appear and operate in By the 90s, growth in Western Canada was overwhelming due to the aggressive expansion of its free-standing restaurants. In 1996, franchising became the focus. A&W sold and franchised its corporate-owned restaurants.

A&W Canada recently partnered with Lightlife to become Canada's first QSR to offer guests a new and exciting menu option and serve plant-based Nuggets. This latest offering is made entirely from plant-based ingredients.

### Top-line fund

The A&W Revenue Royalties Income Fund, the full name of the ticker symbol on the **TSX**, was created in 2002. It is a \$536.57 million limited purpose trust that holds an investment in A&W Trade Marks Inc.

The latter holds an ownership interest in A&W Trade Marks Limited Partnership that owns the A&W trademarks used in the A&W QSR business in Canada. Today, A&W boasts of a great line-up of food and beverages and established brands (A&W Root Beer, The Burger Family, and Chubby Chicken).

The Fund does not operate A&W restaurants. It owns an investment in Trade Marks which indirectly owns the A&W trademarks and licences them to A&W Food Services. The amount of royalties the Partnership receives is 3% of sales from A&W restaurants in the Royalty Pool.

As income is based solely on restaurant sales less the minimal operating expenses of the fund and trademarks, you'll be investing in a top-line fund.

## Growing royalties

As of January 5, 2020, the total number of A&W restaurants in the Royalty Pool is 971. All of them pay the royalties to the Fund through the A&W Trade Marks Limited Partnership. Since the Fund's creation, the number of restaurants grew by 65.98%.

Believe it or not, but this royalty stock has a total return of 335.83% in the past decade. In 2018, the system sales of A&W were an eye-popping \$1.4 billion. With the focus on natural ingredients, great taste, convenience, and doing what's right, A&W claims that it's now the number one choice of millennial burger lovers.

## Juicy gains

A&W expects to deliver strong results in 2020 and improve market share in the QSR burger market with the successful execution of its strategy. Royalty income to the Fund should increase as well.

This royalty stock is [must-own](#), if not include A&W in your [watch list](#). It has a dividend yield of 5.02%, and market analysts see a potential capital gain of 17.95% in the coming months. Move over, McDonalds.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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### Date

2025/08/14

### Date Created

2020/01/25

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