



## Yield Alert: Buy This 8.5% Dividend Before it's Too Late

### Description

As the old expression goes, fortune favours the bold.

It's definitely something that's true in investing. How many times have you looked at a stock's long-term chart and wished you would have bought a company during a significant downturn? I know I sure have. With the benefit of hindsight, we do a little math and realize just how much profit there was in that opportunity.

The one thing we don't realize is how easy these opportunities look in the rear-view mirror. The fact is, a stock that is reeling has significant issues — a wrinkle in the story that just gets forgotten over time. There's also an inherent bias in play; we remember the success stories but forget about companies that got acquired for a bargain price or quietly went away.

This is exactly what makes [value investing](#) so tough. You have to buy right when everyone else wants to stay away. Many investors underestimate how difficult this is. Many people just can't pull it off. They just don't have the right temperament.

If you're one of the few strong investors who can ignore the naysayers and the noise, there are some very generous returns out there, just waiting for you to seize. I'd like to profile one such company today, a long-term winner that should return to former glory once it gets a little help from the economy.

## Canada's restaurant king

**Boston Pizza Royalties Income Fund** ([TSX:BPF.UN](#)) owns the trademarks of Canada's largest fast casual restaurant chain. There are some 400 Boston Pizza locations in Canada that serve a combined 50 million guests annually. The chain's sales are approximately \$1.1 billion each year.

Although Boston Pizza's long-term story has been pretty darn successful, the company has stumbled lately.

Two issues are suppressing short-term results. Firstly, Boston Pizza's Alberta focus has not helped.

The company put a restaurant in pretty much every town in Alberta during the boom times — locations that are now struggling with a poor economy. The chain is also being hurt by lacklustre restaurant sales in general — something analysts blame on both a tepid Canadian economy and more competition from local players.

No matter what the cause is, it's obvious investors are spooked. In its most recent quarter, Boston Pizza's all-important same-store sales number fell 2.1%, and the company posted a similar decline for the whole year.

These recent financial results prompted the company to do the unthinkable and slash its valued dividend. The new payment is now \$0.102 per share each month — an 11% reduction. Management plans to take the money saved and use it to immediately buy what they view to be undervalued shares. The company has permission from the **Toronto Stock Exchange** to repurchase up to 2.5% of its shares over the next year.

## Get paid to wait

Even after the dividend cut, Boston Pizza is still one of Canada's most attractive [passive-income](#) opportunities. Shares currently yield a robust 8.5% — an excellent payout in today's low interest rate world.

Remember, the company earned \$1.32 per share in distributable income last year. That ensures the new dividend is safe, even if restaurant sales continue to be tepid. It also means the stock is trading at a dirt-cheap valuation of approximately 11 times trailing earnings.

In other words, this is the buying opportunity you'll look back on a few years from now. Will you seize it, or will you wait until the future looks rosier? Remember, if you do wait, chances are you'll also give up much of your upside potential as well as forfeit a succulent dividend while the stock recovers.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

## Category

1. Dividend Stocks
2. Investing

## Tags

1. Editor's Choice

## Date

2025/08/17

## Date Created

2020/02/25

## Author

nelsonpsmith

default watermark

default watermark