
# This TSX Stock Is a Screaming Buy After Its Dividend Cut

## Description

As markets continue to see more volatility and it appears that a global recession is becoming more likely, it's natural for investors to want to buy stocks that can be relied upon and will perform well during these uncertain times.



Historically, dividend stocks are some of the top investments you can own during a recession, allowing you to earn passive income and grow your cash position while stocks all around you go on sale.

High-yield dividend stocks can be even more attractive, returning major cash to shareholders and helping to stabilize their portfolios.

One high-yield stock that's looking extremely attractive for Canadians seeking to invest some money today is **Boston Pizza Royalties Income Fund** (TSX:BPF.UN).

Although it's had its trouble in the past, now that it has trimmed its dividend, the fund has bought itself some time and some breathing room to re-strategize, allowing the market to cycle before there will be more pressure to do so again.

With Boston Pizza, the level of income doesn't fluctuate all that much because it receives a royalty on the sales of the restaurants in its royalty pool.

To give you an idea of how little sales fluctuate, 2019 was an extremely poor year for the fund, with sales were only down just over 2%.

The problem is the fund aims to pay investors 100% of its earnings, essentially the exact royalty it receives from sales, so when sales are down 2% in a single year, it needs to fund the shortage in the dividend with its own cash.

As this goes on long enough, it's inevitably forced to trim the dividend in order to bring it back below its expected earnings level.

Boston Pizza did this just a few weeks ago, reducing its dividend by just 11%, which was more than enough to put it in a stable position.

At current levels the fund now has a payout ratio of just 93.4%, and although that may not seem like that much room, for a royalty fund like Boston Pizza, that will buy it a lot of time.

Investors also shouldn't expect this decline in sales to continue that much longer. While the restaurant industry can be cyclical, as sales decline now, eventually they will need to pivot and start growing again.

In addition to the naturally cyclical market for restaurant sales, Boston Pizza can help to drive additional sales through strong marketing or additional restaurant renovations, which worked so well for so long.

The company has also experimented with various digital platforms to help drive growth, whether it be an increase in takeout deliveries with its easy to use app, or the MyBP loyalty program it recently started that already has more than one million members.

Boston Pizza is still the number one casual dining brand in Canada, operating roughly 400 restaurants coast to coast and nearly double its closest competitor.

In order for investors to be able to buy shares today and receive a dividend yielding upwards of 9.5%, it makes the stock one of the most attractive income options on the **TSX** today.



**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

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

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