



Market Crash: 3 Well-Known Dividend-Payers Suspend Payouts

Description

Some well-known [dividend-payers](#) are having funding strains due to the coronavirus outbreak. Investors who are standing by these companies will now lose an income stream. The current crisis is affecting the [cash position of companies](#) such that it becomes extremely necessary to temporarily suspend payouts.

Cash preservation

Boston Pizza ([TSX:BPF.UN](#)) is putting its distributions on hold for the foreseeable future. The payouts last March 31, 2020, were the last ones for now. All of its dining and sports bar outlets are temporarily closed, and only the kitchens are open for delivery and takeout.

This \$155 million royalty company is wary of the impact of the stay-at-home and social distancing measures on its cash reserves. The declines in the franchise and same-restaurant sales are significant and management therefore needs to make a pivotal move.

According to Boston Pizza Chairman Marc Guayabera, the prudent decision will preserve cash on hand, while management gains a better understanding of the full economic consequences of COVID-19 on the business. It was also meant to ensure Boston Pizza's continued performance.

Guayabera adds, "The trustees will continue to monitor the effects of COVID-19 on the fund, and prudently adjust our distribution policy as circumstances warrant to preserve unitholder value."

Business on standstill

Chorus Aviation (TSX:CHR.B) is struggling with the fallout from the novel coronavirus. This \$518.25 million aviation solutions provider operates regional aircraft for **Air Canada**. Its client and partner, Air Canada Express, had reduced capacity by roughly 90% in April and May.

The significant decline in the network-wide capacity of its major client resulted in massive temporary

employee reductions. Nearly 3,000 employees are out of commission, either jobless temporarily or in an off-duty status.

A company spokesperson confirmed the latest move in response to the business reversal. Those affected by the stunted operations are pilots, flight attendants, customer service agents and line and heavy maintenance crew.

Along with the employee reduction, Chorus is suspending dividends to help strengthen the balance sheet while preserving cash. Top company executives are also foregoing 50% of their salaries, while the pay cut of CEO Joe Randell is 70%. Shares of Chorus are down 59% year to date.

Liquidity pressure

Royalties income fund **A&W** ([TSX:AW.UN](#)) is also bracing for the financial impact of COVID-19. This \$369 million limited purpose trust fund holds an ownership interest in the A&W Trade Marks Limited Partnership. The latter owns the A&W trademarks used by franchises in A&W Food Services.

At last count, the total number of A&W restaurants in the royalty pool is 996. About 20% (200 quick-service restaurants) of the A&W branches are closed for business. With guests on social distancing mode, customer traffic in the open restaurants is significantly down.

A&W Fund chairman John McLernon said the cash position is strong, but since restaurant performance is poor, the priority is to preserve liquidity. At the appropriate time or when restaurant sales improve, the board of trustees will determine the reinstatement of monthly distributions and dividends.

The second-largest quick-service hamburger restaurant chain in Canada is having the most difficult time in its illustrious existence.

New reality

The 2020 market crash is so shocking that even well-known dividend-payers are temporarily suspending dividends. Let's hope a good number will continue providing passive income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:CHR (Chorus Aviation Inc.)

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