



Revealed: These 3 Dirt-Cheap Restaurant Stocks Could Be Major Winners

Description

In a world where we can only get take-out or go through a restaurant's drive-thru, it seems insane to be talking about restaurant stocks. After all, most folks are exclusively eating at home — a trend that isn't helping your local eateries.

In fact, many top restaurant chains are reporting sales that are down 50% or more. There's no restaurant that can maintain those numbers over the long-term and survive.

But amid all this bad news are glimmers of hope. Various locations are talking about re-opening their economies, which would obviously help the restaurant sector. Drive-thrus are becoming busier these days. And Canada's top restaurant stocks have been hammered. These solid brands should represent excellent long-term value for investors who buy in today.

Let's take a closer look at three top restaurant stocks — top picks poised to recover nicely once COVID-19 is nothing but a distant memory.

Pizza Pizza

Despite pizza being a staple in many households during today's chaotic times, **Pizza Pizza** ([TSX:PZA](#)) shares have still been weak lately. The company didn't exactly help its cause by slashing its dividend by 30%, either.

Another thing impacting Canada's largest pizza chain is the company's Alberta stores — approximately 100 locations — operating under the Pizza 73 brand. As weak oil prices make the economic downturn in that province even worse than surrounding areas, Pizza 73 sales are being hit hard.

The good news is, underlying numbers appear to be a lot better than other restaurant stocks are delivering. Total sales were down a little more than 6% in the first quarter, and the company's delivery business hasn't really been impacted. Walk-in sales, however, have been decimated.

Although the dividend has been cut, investors who buy in today are still locking in a 7.2% yield — a

payout that [should be safe](#), even in a tumultuous COVID-19 world.

Boston Pizza

Although **Boston Pizza** ([TSX:BPF.UN](#)) still offers delivery, that part of its business has always been somewhat minor compared to folks dining in the company's restaurants. After all, Boston Pizza is Canada's largest fast-casual restaurant chain — a company that does approximately \$1.1 billion in annual sales during normal times.

The company has responded to this new reality by slashing costs. It laid off employees at head office and froze its dividend, telling investors the payout will come back when things get back to normal. The good news is, even though sales are down significantly, the parent company should still collect some revenue from franchisees.

Meanwhile, Boston Pizza has easily become one of Canada's cheapest restaurant stocks. Shares trade hands at a little over \$6 each as I write this. The company earned \$1.10 per share last year. Yes, earnings won't recover for a while, but I think long-term investors will be happy they got in today.

A&W

I've saved the best for last. I firmly believe **A&W** ([TSX:AW.UN](#)) is Canada's finest fast-food chain, and it's poised to do much better over the long term than any of our other top restaurant stocks.

A&W has a simple business model and flawless execution. The company focuses on making delicious food from good ingredients, charging the customer a premium to do so. It also uses effective marketing to get its message across while focusing on promotions that actually get customers excited.

A&W is also the king of putting restaurants in alternative locations. It seems like every small town has an A&W, and the company has small concept stores in urban locations in every large Canadian city. It'll eventually expand into the United States; it's only a matter of time.

Like many other Canadian restaurant stocks, A&W has temporarily suspended its dividend. It should be back in a few months, giving investors a nice prize while they wait for shares to recover.

The bottom line on these restaurant stocks

Canada's top restaurant stocks are on sale today. In fact, I would call it a [generational buying opportunity](#). Many of these stocks will never be this cheap again.

The restaurant industry will come roaring back. In fact, many of these chains will be in an even better spot, as local restaurants are forced to close.

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