5 Consumer Discretionary Stocks That Cut Dividends in Q1

Description

Several stocks were impacted the current pandemic, and consumer discretionary stocks were among the hardest hit. Through March 31, the **S&P/TSX Capped Consumer Discretionary Index** lost 33.27% of its value. In comparison, the S&P/TSX Composite Index only lost 21.59% in the first quarter.

The economic impacts of COVID-19 mitigation efforts are having widespread impacts on cash flows. Not surprisingly, this is leading to a record pace of dividend cuts and suspensions. This is a problem, as many investors rely on dividend-paying companies for income.

In the first quarter, 30 TSX-listed companies either cut or suspended dividends. Yesterday, we took a look at those from the real estate sector. Today, we'll take a look at the five consumer discretionary stocks.

	Old	New	Percentage	Date
BRP (TSX:DOO)	$0.10	$0.00	-100%	3/20/2020
A&W Royalties Income Fund (TSX:AW.UN)	$0.191	$0.00	-100%	3/31/2020
Sir Royalty Income Fund (TSX:SRV.UN)	$0.0875	$0.00	-100%	3/23/2020
Boston Pizza (TSX:BPF.UN)	$0.115	$0.00	-100%	3/24/2020
New Look Vision (TSX:BCI)	$0.15	$0.00	-100%	3/19/2020

A Canadian Dividend Aristocrat

Among the five listed above, there is one Canadian Dividend Aristocrat. With over 900 locations across the country, A&W Royalties is one of the largest fast-food chains in Canada.

On March 31, A&W suspended its monthly distribution. As a result, the company's five-year dividend-growth streak came to an end. This consumer discretionary stock lost 37.45% through the end of the quarter, and despite the market rebound, it's still sitting on losses of approximately 20% in 2020.

The first cut

Boston Pizza's dividend-growth streak came to an end in 2019. It had been struggling to maintain its distribution pre-pandemic. It is therefore not surprising that the company was the first company to slash the distribution.

On February 29, Boston Pizza announced an 11.30% cut to the monthly distribution. It wasn't done there. Less than a month later (March 24), the company announced that it was temporarily suspending the dividend.

Boston Pizza is no longer a top dividend-growth stock. The company last raised dividends in 2016 and it lost its status as an Aristocrat the following year.

A top growth stock

One of the top growth stocks of the past couple of years, BRP is one of the country's leading pleasure craft companies. It manufactures and sells all-terrain vehicles and personal watercraft under the Ski-Doo, Sea-Doo, Can-Am, and Lynx brands. Over the past few years, it was one of the best-performing stocks with total gains of 160% — until the pandemic hit.

The pandemic led to record unemployment and unprecedented layoffs. Not surprisingly, BRP's business model, which relies significantly on a booming economy, is under pressure. Given this, it came as no shock when the company suspended its dividend on March 20.

At the end of March, BRP was sitting on losses of almost 62% and was among the TSX Index's worst performers. However, it is rebounding in a big way and is now only down by 8.62% in 2020.

A struggling consumer stock

Sir Royalty Income Fund has a variety of concept restaurants, operating under the Jack Astor's Bar and Grill, Canyon Creek Chop House, and Scaddabush/Alice Fazooli's brands. As restaurants across the country shut their doors to in-room dining, the only options left were takeout and delivery.

Once again, the suspension of the distribution on March 23 was no surprise. In fact, a dividend cut may have been on the way regardless of the pandemic. In the second quarter, which ended February 9, the company's same-store sales decreased by 5.6%.

This consumer stock was struggling with liquidity before the pandemic hit. Not surprisingly, Sir Royalty's downtrend began before the pandemic, and, as of end of March, it was down by 70.43%. Although it is riding the wave of a market rebound, it is still down by approximately 40% in 2020.

A small cap

New Look Vision Group is an operator of eye-care retail stores in Canada. It operates under the New Look Eyewear, Greiche and Scaff, Vogue Optical, and Iris The Visual Group brands.

In late March, the company suspended the dividend as a result of “uncertainty driven by reduced store capacity and regulatory restrictions.” The company is not exactly a standout performer. In recent years, the company’s stock price was relatively flat, returning low single digits annually.

Are these consumer stocks a buy today?

The consumer discretionary stocks that cut the dividend are a mixed bag. Although most, if not all are likely to reinstate the dividend once the economy rebounds, don’t expect them to come in at pre-pandemic levels.

At this point, I see little reason to hold Boston Pizza or Sir Royalty Income Fund given their struggles began long before the pandemic. Likewise, New Vision simply isn’t growing enough to be of interest.

On the bright side, BRP and A&W are two companies that investors may want to look at. Despite the setback, both are growing at a decent pace and should rebound in lockstep with the economy.

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
3. TSX:DOO (BRP Inc.)
4. TSX:SRV.UN (SIR Royalty Income Fund)

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