



## This Dividend Stock Just Resumed its Monthly Payout

### Description

In terms of dividend activity, last week was a quiet one. First, no company [cut dividends](#). The slowing pace of dividend cuts is a good sign, and one that brings with it hope that the worst is in the rear-view mirror. Perhaps [dividend stocks](#) will once again command attention from investors.

In terms of dividend raises, **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)) was the lone dividend stock to reward patient investors.

	Old	New	Percentage	Date
<b>A&amp;W Income Fund</b>	\$0.00	\$0.10	N/A	07/12/2020

### The first dividend stock to reinstate the dividend

It is worth noting that A&W Income Fund's announcement last week was not a normal dividend raise. It was the reinstatement of the previously suspended distribution. At the height of the pandemic, A&W was forced to suspend the distribution, as A&W Food Services deferred royalty payments to the fund.

At the time, it was only the third Canadian Dividend Aristocrat that either cut or suspended the dividend. The good news? The resumption of the monthly distribution is the first sign of a return to normalcy. According to the company "monthly distributions to unitholders on the basis of the recent improvement in the performance of the A&W restaurants in the Royalty Pool and the resumption of royalty payments by A&W Food Services."

Although the \$0.10-per-share dividend is lower than the pre-pandemic monthly distribution of \$0.191 per share, it is certainly a positive start. It is also a notable development, because it is the first dividend stock to announce the resumption of a pandemic-related suspension.

### Stock performance

On the news, A&W's stock price soared. Up 15.88% on the day of the announcement, A&W closed the week up by 10.77%. It was one of the best-performing stocks on the TSX Index last week.

Despite a strong reaction to the resumption of the monthly distribution, A&W is still down by about 25% year to date. Likewise, it is still trading at a 7.35% discount to its June high of \$31.10 per share.

It appears that investors are still taking a cautious approach to an investment in this dividend stock. This is not surprising, as the re-opening of the economy is progressing at a slower-than-expected pace.

In the second quarter ending June 30, same-store sales fell by a whopping 31.6% over the second quarter of 2019. At the peak of the pandemic, 230 of 971 restaurants were closed, while the rest operated under strict guidelines.

## Deferred payments

It is worth noting that there are outstanding royalty deferral payments that remain payable. As of writing, there are three deferred royalty payments totaling \$7.5 million due from A&W Food Services to the fund. The company is "formulating a plan" for the payment of deferred royalties and interest.

What does this mean? It could mean that investors would be privy to a special dividend later in the year. This would be in line with the approach taken by other dividend stocks, which have suspended the payouts during the pandemic.

## Is this dividend stock a buy today?

As with all companies that have proven vulnerable to a pandemic, that is a tough question to answer. Will the economic rebound proceed on a slow and steady uptrend? Even if it does, the outlook over the next few years remains muted.

The Government of Canada announced that it expects GDP to shrink by 6.8% in 2020 before rebounding by 5.5% in 2021. This means that the economy won't rebound to pre-pandemic levels until at least 2022. Considering this, it is likely that consumer discretionary stocks such as A&W may take longer to rebound than others.

That being said, the resumption of the monthly distribution is a positive development for the company. One can only hope it also means positive developments are in store for other dividend stocks that were in similar positions.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
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### TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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