



## Value Investors: 1 Restaurant Stock Set to Rise Significantly

### Description

**Pizza Pizza** ([TSX:PZA](#)) opened the restaurant's first location in Toronto in 1967. Today it is the top pizzeria in Canada. In 2017, the company kicked off a system-wide, restaurant re-imaging program to modernize dining areas and signage in the restaurants. The program will continue over the next three to five years.

### High restaurant standards

Franchisees continually reinvest to maintain a [modern restaurant system](#). The centrally managed renovation program, which is funded by franchisees, allows for the continuous renewal of the Pizza Pizza concept. Pizza Pizza's franchise agreement provides that franchisees are required to renovate restaurants at least every five years to current standards set by Pizza Pizza. This allows the company to ensure that locations are maintained at the highest standards.

### Competitive advantage

Pizza Pizza has a competitive advantage due to the company's take-out and delivery service. Management believes that there are [significant opportunities](#) for growth by targeting the lunch day part, where pizza operations are currently under-represented. Prior to COVID-19, an increased focus on eat-in dining was also supported by continued menu innovation as Pizza Pizza continued to test new food items to add to the company's menu.

Customers can enjoy a quick meal at one of Pizza Pizza's many convenient locations when they are away from home, while customers who prefer to remain at home for reasons of convenience, time of day or inclement weather, can easily order from Pizza Pizza through various digital channels.

### Strong brand recognition

Both Pizza Pizza and Pizza 73 are market leaders in the restaurant's respective geographic markets.

Prior to the COVID-19 pandemic, Pizza Pizza was estimated to have a market share of 20% measured by sales revenue, while Pizza 73 held approximately 15% of the Alberta pizza market. In addition, the two brands have a total of 749 locations across Canada, which is almost double that of its closest pizza competitor.

## Proven track record of innovation

Since the company's inception, Pizza Pizza has adopted many innovative concepts including the one-number telephone ordering system, networked call centres, delivery guarantees, the monitoring of restaurants through a live web-feed and the company's many digital ordering platforms.

In 2020, Pizza Pizza was quick to respond to the COVID-19 pandemic with contactless delivery and pick-up options, launching an award-winning tamper-proof pizza box. In addition, Pizza Pizza places high importance on the company's ability to update and modernize product offerings to meet changing customer preferences.

## Centralized management

Management oversees key aspects of the restaurant business allowing restaurant operators to focus on revenue generating activities. Pizza Pizza also devotes substantial resources to franchisee support as well as training programs, product supply and quality initiatives. In addition, Pizza Pizza leverages the company's significant purchasing power and economies of scale to manage costs and to target increased margins at the restaurant level.

## Robust growth strategy

Pizza Pizza is well positioned to continue building the restaurant's presence in the Canadian pizza segment with the Pizza Pizza and Pizza 73 brands. Consistent with the company's experience over the past decade, Pizza Pizza's future growth is expected to come from new restaurant growth, which should lead to a higher stock price.

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