These 2 Pizza Stocks Recently Hiked Their Dividends by up to 30.8%

Description

By now, nearly two years since the pandemic first began, most companies have recovered or are on their way to recovery. The effective vaccines were announced roughly a year ago now, and companies had been adapting their businesses to the new environment since even before that. There are still some companies that are in the midst of a recovery, though, such as restaurant stocks. And, in fact, two high-quality pizza stocks just increased their dividends.

Restaurants have faced several headwinds since the pandemic began. For example, capacity restrictions have limited restaurants' ability to do business. Furthermore, even quick-service restaurants have been impacted by less mobility from consumers and a number of employees still working from home.

However, as the numbers show, these stocks are now rapidly recovering, as we continue to vaccinate more of our population. So, if you're looking for a high-potential recovery stock that pays an attractive dividend, here are two pizza stocks to consider today.

A leading casual dining chain

One of the top stocks to buy and one of the highest-potential recovery stocks you can still gain exposure to is **Boston Pizza Royalties** (TSX:BPF.UN).

Boston Pizza is a leading casual restaurant dining chain. The fund earns revenue from royalties on all the sales that Boston Pizza restaurants across the country do. Of course, because it's a dine-in restaurant, Boston Pizza was impacted quite severely by the pandemic. In fact, we can see by its sales just how badly the consolidated business did.

But because Boston Pizza stock receives a top-line royalty (on sales and not the profitability) from the restaurants, it's a safer investment. Furthermore, it helps investors to get an understanding of how well the business is doing in general across the country.

For example, prior to the pandemic, Boston Pizza earned between $11 million and $12 million in revenue a quarter, depending on the season. It would then typically pay out almost all its cash after expenses, keeping its payout ratio as close to 100% as possible.

So, when the pandemic hit and sales were impacted by up to 50% at first, Boston Pizza had to understandably trim the dividend.

Now, however, sales are recovery rapidly. In the second quarter, when there were still several restrictions impacting restaurants, Boston Pizza managed to record roughly 62% of its pre-pandemic sales.

However, through the third quarter, where many restrictions were eased, and restaurants could take advantage of patio season, Boston Pizza managed to record over 95% of its pre-pandemic sales.

This impressive quarter led the fund to raise its dividend by over 30%. However, Boston Pizza is not in the clear yet. There is still a risk of uncertainty with the pandemic, especially through the cold winter months. Therefore, although its sales in the third quarter almost fully recovered, Boston Pizza's dividend is still just 74% of what it was before the pandemic.

So, with the pizza stock offering a yield upwards of 6.3% and with room for more potential dividend increases down the road, it's certainly one of the best recovery stocks to buy now.

A top pizza stock to own for passive income

Another high-quality restaurant royalty stock that's a top choice for dividend investors is **Pizza Pizza Royalty** (TSX:PZA).

Since Pizza Pizza isn't a predominantly dine-in restaurant company, it wasn't impacted as badly as Boston Pizza and other restaurant stocks. However, with employees working from home and several shutdowns over the last year and a half, Pizza Pizza has faced its fair share of headwinds.

At the worst point in the pandemic, the stock saw its sales drop by 15%. However, to be safe, management trimmed the dividend by 30%. So, while the stock doesn't offer as much potential for recovery, Pizza Pizza's resiliency through the pandemic shows what a dependable stock it can be.

And like Boston Pizza, as sales have been recovering, management has slowly been raising the dividend back to pre-pandemic levels. Today the stock offers an impressive yield of 6%. Plus, Pizza Pizza is still only paying out 84% of what it was in 2019.

So, over the next few quarters, as our economy continues to recover, I wouldn't be surprised if Pizza Pizza stock raises its dividend once again.

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2. TSX:PZA (Pizza Pizza Royalty Corp.)

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