



## Is A&W Revenue Royalties a Top Stock to Buy in This Environment?

### Description

Whenever you look to buy a top stock for your portfolio, there will always be several to choose from. However, depending on your age, risk tolerance, and preferences, not every stock will be worth considering. In the case of **A&W Revenue Royalties** ([TSX:AW.UN](#)), the stock has offered so much growth potential in the past that it's one almost any investor can consider.

Often, growth stocks come with higher risk and are more suited for younger investors. On the flip side, generally, older investors who are approaching retirement prefer [dividend stocks](#) and other investments that help build a passive-income stream.

But because A&W is a dividend-growth stock, and such an impressive one at that, it's a stock that essentially every Canadian can consider for their portfolio. But in this environment, is A&W stock still one of the top investments to buy?

## Is A&W a good investment in this environment?

Dividend stocks are often solid investments, but when you can find dividend-growth stocks that are constantly increasing their payouts, it's even better. However, often the best and most popular dividend growth stocks operate in more defensive industries.

So, when you can find a high-quality dividend-growth stock in a discretionary sector such as quick-service restaurants, it shows what a high-quality company it must be.

In A&W's case, the growth that it has seen has been rapid but also consistent. As of the end of 2021, the company had over 1,000 franchises in its royalty system. That's an increase of 37% over the last decade from the 739 restaurants it had at the end of 2011. However, while its store growth is impressive, much of its increase in sales has come from same-store sales growth (SSSG).

The combination of the opening of new restaurants and consistently increasing same-store sales has led to sales growth every single year for A&W.

Going all the way back to 1999, system sales have grown every single year, including through the Great Recession. The first and only time its sales didn't grow was in the first year of the pandemic. And in 2021, the rebound year as Canadians became vaccinated, A&W managed to grow again and outpace not just the 2020 pandemic-affected year but also 2019.

So, without the pandemic, it would be safe to say that A&W's growth streak would have stayed intact.

The company's strong rebound also allowed it to make three separate increases to its distribution in 2021. However, so far this year, it's stayed put. So, as A&W continues to perform well, that distribution constantly becomes safer.

For example, A&W just announced earnings for the second quarter, so how is this economic environment impacting A&W and its ability not just to operate but continue to grow?

## Is A&W stock worth a buy as inflation surges?

Many restaurant stocks are at risk as inflation surges. Eating out is one of the easiest expenses that Canadians can cut to save money. So, even with a royalty stock like A&W, where investors don't necessarily have to worry about operating costs, the impact of inflation could still be significant on A&W's top line.

Nevertheless, despite these risks, the stock reported another strong quarter last week. Its royalty income increased by 15.9% in the second quarter of 2022 and is up 14.7% year to date. In addition, its royalty pool SSSG was up 12.2% for the second quarter and 12% year to date.

And with the company growing strong, it helped bring its [payout ratio](#) in the second quarter below 90%, which shows its distribution is becoming safer. Plus, what's even more encouraging about these results is that the second quarter is typically a slower time of the year for A&W, particularly compared to the third and fourth quarters.

Therefore, with the dividend stock continuing to perform well, growing its sales and returning cash to investors, it's an excellent investment to consider for the long run. And when you consider that it pays cash monthly, is trading off its high and offers a yield of roughly 4.8%, it's certainly one of the top TSX stocks to buy now, as long as it can continue to perform well in this highly uncertain environment.

### CATEGORY

1. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

#### **PP NOTIFY USER**

1. danieldacosta
2. kduncombe

#### **Category**

1. Investing

#### **Date**

2025/08/23

#### **Date Created**

2022/08/01

#### **Author**

danieldacosta

default watermark

default watermark