Better Buy: Pizza Pizza Stock vs. A&W

Description

Choosing the right stock from two available options is a different process for different investors and is highly influenced by the biases, investment goals, and preferences of the investors. Some investors focus more on the long-term growth potential, while others may prioritize the current yield more.

The difficulty and depth of the comparison are also proportional to how similar or different the two companies are. For example, it's easier to compare a stock like **Pizza Pizza** (TSX:PZA) to **A&W Revenue Royalties** (TSX:AW.UN), as both are rooted in the restaurant business.

Let's see how the two small-cap stocks compare against each other.

Pizza Pizza Royalty

Pizza Pizza has been in the business since 1967 and has grown to over 750 locations, making it one of the top pizza franchises in the country. The stock offers you direct exposure to this business, and you can share in the profits via its dividends, which are currently being offered at a compelling yield of 6.1%.

The stock's performance in the last decade has been consistent. It grew over 70% between 2013 and mid-2017, then went downhill for a few years. It has been recovering from the post-pandemic fall, and its progress has been decent enough. It has grown over 16% in the last 12 months.

The dividend history has also been a bit inconsistent, but a relatively accurate reflection of the underlying financials. It was offering consistent monthly dividends but slashed them after the first quarter of 2020, though it has been raising the dividends since late 2020, and the payout is quite close to the pre-pandemic number.

A&W Revenue Royalties Income Fund

A&W is all about burgers and beer. It's a larger chain than Pizza Pizza, with over 1,025 restaurants across the country, making it the second-largest burger QSR (quick-service restaurant) chain in Canada. A strong place in the beer and fast-food market makes its presence more diversified than Pizza Pizza.

The company also pays dividends and is currently offering a yield of 5.2% to its investors.

And even though it also cut its payouts during the pandemic when the restaurant business was being crushed by the virus, it made up for the dividend cut by offering a couple of special dividends in 2020 and has already raised its regular payouts *beyond* 2019 levels. This makes its dividends more resilient compared to Pizza Pizza.

As for the growth potential, the stock has experienced a pattern similar to Pizza Pizza, though it actually fell instead of rising in the last 12 months.

Foolish takeaway

The two stocks are very similar when it comes to valuation, and though neither can be classified as undervalued stock, the valuation *is* attractive enough. Both stocks have the same beta, similar revenue patterns for the last few quarters, and debt compared to market capitalization.

And if we compare the current return potential alone, considering the other similarities between the two, Pizza Pizza stock can be considered a better buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/19
Date Created
2022/12/15
Author
adamothman