



# Boston Pizza Royalties Income Fund (BPZZF)

Updated November 21<sup>st</sup>, 2025 by Ian Bezek

## Key Metrics

<b>Current Price:</b>	\$14.43	<b>5 Year Annual Expected Total Return:</b>	5.8%	<b>Market Cap:</b>	\$357 M
<b>Fair Value Price:</b>	\$11.66	<b>5 Year Growth Estimate:</b>	3.0%	<b>Ex-Dividend Date:</b>	11/21/25
<b>% Fair Value:</b>	124%	<b>5 Year Valuation Multiple Estimate:</b>	-4.2%	<b>Dividend Payment Date:</b>	11/28/25
<b>Dividend Yield:</b>	7.1%	<b>5 Year Price Target</b>	\$13.52	<b>Years Of Dividend Growth:</b>	5 <sup>1</sup>
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Consumer Discretionary	<b>Rating:</b>	Hold

## Overview & Current Events

Boston Pizza Royalties Income Fund is a Canadian entity which collects and distributes a dividend stream based on royalties earned from Boston Pizza restaurant locations. Shares are dual-listed in Canada under the ticker “BPF.UN” and the U.S. with the over-the-counter ticker “BPZZF”. The company’s base reporting currency is Canadian dollars, but this report will use U.S. dollar figures except when otherwise noted.

Boston Pizza operates approximately 372 casual dining restaurants in Canada, making it a leader in its market segment within Canada. Prior to the pandemic, Boston Pizza grew from 366 stores in 2014 to a peak of 396 in 2018. But store growth has been negative on an annual basis every year since then. The company’s same restaurant sales fell four years in a row in the late 2010s, indicating that the concept might already be saturated in the market. After a huge drop in sales in 2020, there was a robust recovery up through 2023, but sales momentum slowed in 2024.

Boston Pizza reported its Q3 on November 10<sup>th</sup>, 2025. Franchise sales increased 4.3% for Q3, which maintained the company’s recent string of stronger sales reports. Earnings per share of 35 cents increased from the 33 cents reported in the same quarter of last year. Earlier this year, Boston Pizza reported a favorable non-cash item related to the fair value of the fund’s investment in BP Canada LP, in other words the value of its royalty stream. We are excluding that from our view of the firm’s economics; our 2025 EPS estimate is based on the company’s distributable cash flow, which offers a solid representation of the earnings of its underlying restaurants and its ability to pay its dividend. Q3 sales were surprisingly strong despite economic headwinds in Canada, so we have slightly increased our full-year outlook.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$0.43	\$1.39	\$0.91	-\$0.09	\$0.67	\$0.13	\$1.36	\$0.96	\$1.00	\$1.05	<b>\$1.06</b>	<b>\$1.23</b>
<b>DPS</b>	\$0.70	\$0.95	\$0.99	\$0.94	\$1.05	\$0.36	\$0.67	\$0.82	\$0.95	\$0.96	<b>\$1.03</b>	<b>\$1.19</b>
<b>Shares</b>	21	20	24	25	25	25	25	25	25	25	<b>25</b>	<b>25</b>

Boston Pizza had up-and-down results prior to the pandemic, with highly variable earnings including a loss in 2018. The company initially bounced back from COVID-19 with above average results. But since the earnings peak in 2021, Boston Pizza has struggled to find much growth. Increasing competition in the pizza space has limited the company’s outlook and indeed Boston Pizza has been slowly shrinking its store base in recent years. Average revenue per restaurant has now passed pre-pandemic levels but has failed to keep up with inflation. We model 3% growth in earnings going forward, as the firm’s limited pricing power and lack of unit growth are structural challenges.

The company maintained its dividend during the 2008 financial crisis. However, it cut its dividend in both 2011 and 2020. Boston Pizza now has a five-year dividend growth streak, with increases in its payments, as measured in Canadian Dollars, annually since 2021. The company most recently increased its dividend from \$0.115 CAD to \$0.120 CAD per share per month in August 2025. This works out to \$1.44 CAD per share in annual dividends, which is approximately \$1.03 per share for U.S. Dollar-based investors. We believe future dividend growth will be limited.

<sup>1</sup> The dividend has increased five years in a row as measured in the firm’s Canadian Dollar reporting currency.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.2	12.1	18.1	--	13.2	24.5	7.9	10.5	11.2	11.7	<b>13.6</b>	<b>11.0</b>
Avg. Yld.	7.0%	6.3%	5.9%	7.3%	8.4%	16.5%	5.1%	6.5%	8.3%	8.7%	<b>7.1%</b>	<b>8.8%</b>

Boston Pizza has averaged a roughly 14x P/E ratio over the past decade and is in line with that now. We believe an 11x P/E ratio is more appropriate given the firm's lack of store growth and weakening macroeconomic outlook for Canada. Shares are a fair bit above fair value today. The current 7.1% dividend yield is right around the firm's historical average.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

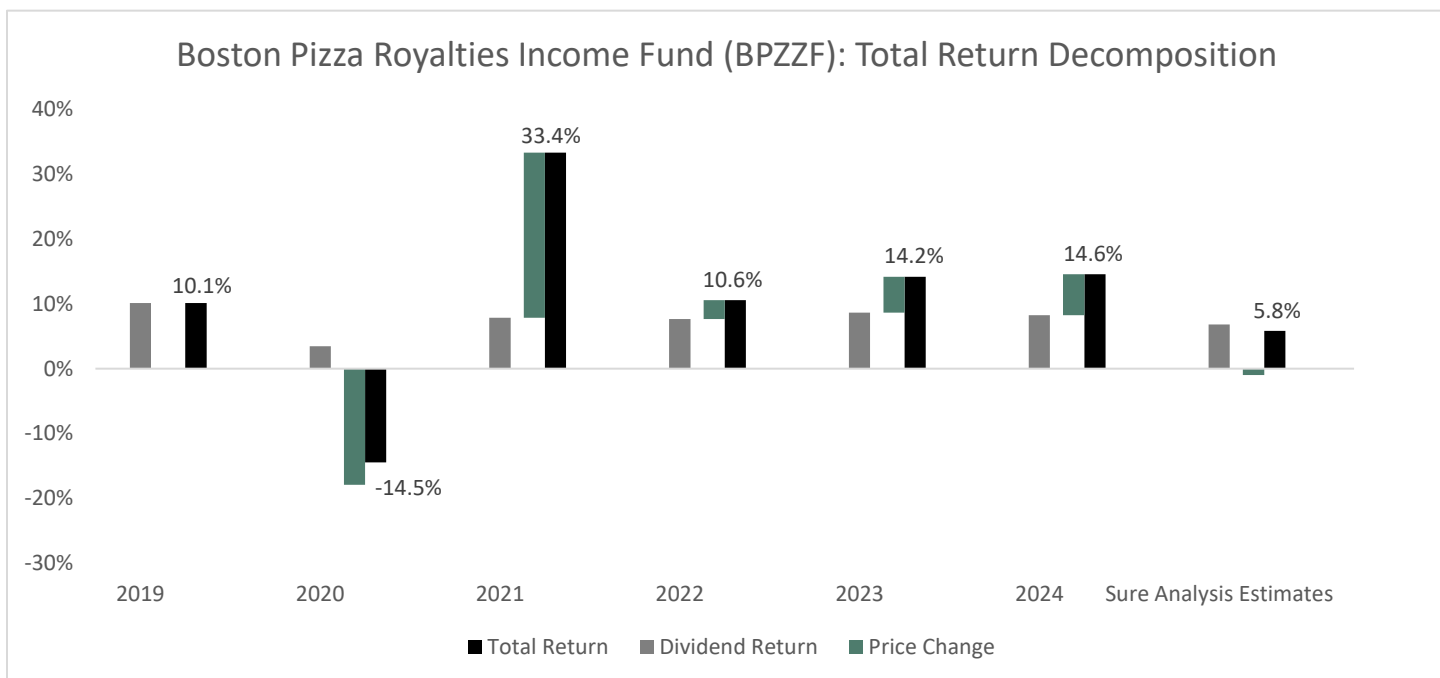
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	163%	68%	109%	--	157%	277%	49%	85%	95%	91%	<b>97%</b>	<b>97%</b>

Boston Pizza offers customers affordable fast food, meaning that it should be more resilient than many other restaurant and consumer discretionary options during an economic downturn. That said, the firm's profits dropped during previous periods of Canadian economic weakness, and we do not believe it would be completely immune to a recession now either. Competition in the pizza space appears to be impacting the company, as witnessed by its slow, but steady decline in store count in recent years. The current dividend payment should be manageable based on today's level of cash flow generation but would be at risk in any sort of economic downturn.

## Final Thoughts & Recommendation

Boston Pizza Royalties Income Fund has bounced back from the pandemic and the company is operating on relatively strong footing today. However, we see a variety of potential headwinds including tariffs, a potential recession, slower immigration to Canada, and inflation as being issues which will limit the company's growth prospects in coming years. The projected total annualized return of 5.8% is not too attractive, especially considering the firm's "F" dividend risk score. Shares earn a hold rating today.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	32	33	34	35	34	24	28	35	36	36
SG&A Exp.	1	1	1	1	1	1	1	1	1	1
Operating Income	31	32	34	34	33	23	27	34	35	35
Operating Margin	97.0%	97.3%	97.3%	97.2%	97.3%	95.6%	96.3%	96.9%	97.0%	96.5%
Net Profit	15	29	21	7	17	7	30	24	22	23
Net Margin	47.0%	86.1%	60.4%	19.0%	49.6%	29.3%	106.4%	67.3%	60.1%	64.4%
Free Cash Flow	26	28	28	28	27	17	24	26	28	28
Income Tax	6	8	7	5	7	5	5	7	8	9

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	298	330	346	296	303	306	323	305	311	295
Cash & Equivalents	2	3	3	2	1	6	4	4	3	3
Accounts Receivable	2	2	2	2	2	4	2	2	3	2
Goodwill & Int.	186	196	217	206	217	223	223	209	214	198
Total Liabilities	113	134	111	96	101	105	106	98	101	99
Accounts Payable	0	0	0	0	0	0	0	0	0	0
Long-Term Debt	61	64	69	65	68	72	69	70	72	68
Shareholder's Equity	184	195	235	200	203	201	216	207	210	195
LTD/E Ratio	0.33	0.33	0.29	0.32	0.33	0.36	0.32	0.34	0.34	0.35

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.6%	9.1%	6.2%	2.1%	5.7%	2.3%	9.5%	7.5%	7.1%	7.7%
Return on Equity	9.4%	15.0%	9.7%	3.1%	8.4%	3.5%	14.3%	11.1%	10.5%	11.5%
ROIC	7.1%	11.3%	7.4%	2.4%	6.3%	2.6%	10.7%	8.4%	7.8%	8.5%
Shares Out.	21	20	24	25	25	25	25	25	25	25
Revenue/Share	1.52	1.63	1.41	1.42	1.37	0.98	1.13	1.41	1.48	1.47
FCF/Share	1.23	1.37	1.17	1.11	1.07	0.69	0.98	1.07	1.14	1.13

*Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.*

### Disclaimer

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