



# SIR Royalty Income Fund (SIRZF)

Updated November 29<sup>th</sup>, 2025 by Ian Bezek

## Key Metrics

<b>Current Price:</b>	\$10.06	<b>5 Year Annual Expected Total Return:</b>	9.1%	<b>Market Cap:</b>	\$98 M
<b>Fair Value Price:</b>	\$10.00	<b>5 Year Growth Estimate:</b>	2.0%	<b>Ex-Dividend Date:</b>	12/19/25 <sup>1</sup>
<b>% Fair Value:</b>	101%	<b>5 Year Valuation Multiple Estimate:</b>	-0.1%	<b>Dividend Payment Date:</b>	12/30/25 <sup>1</sup>
<b>Dividend Yield:</b>	8.4%	<b>5 Year Price Target</b>	\$11.04	<b>Years Of Dividend Growth:</b>	1
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Consumer Discretionary	<b>Rating:</b>	Hold

## Overview & Current Events

SIR Royalty Income Fund is a Canadian entity which collects and distributes a dividend stream based on royalties earned from the Jack Astor's, Scaddabush, Reds Square One, and Loose Moose Tap & Grill restaurant brands. SIR is short for Service Inspired Restaurants. The parent SIR Corp. retains about 16% ownership of the royalty income fund, helping align its interests with shareholders. Shares are dual-listed in Canada under the ticker "SRV.UN" and the U.S. with the over-the-counter ticker "SIRZF". The company's base reporting currency is Canadian Dollars, but this report will use U.S. Dollar figures except when otherwise noted.

SIR Royalty has claims on the royalties of 52 restaurants locations as of Jan. 1<sup>st</sup>, 2025. 45 of these restaurants are found within the province of Ontario; the company is heavily reliant on the Greater Toronto Metro area for its business. The majority of the company's total locations are for Jack Astor's, which is a bar and grill concept. Scaddabush, an Italian chain, is the other significant driver of SIR's revenues. The company had 58 restaurants within the royalty pool prior to the pandemic. However, the pandemic hit SIR hard as its restaurants were not designed for delivery-based sales and suffered from the prolonged absence of significant in-person store traffic. However, after years of retrenchment, SIR returned to growth in 2024, rebounding from 49 restaurants in 2023 back up to 52 last year.

On November 13<sup>th</sup>, 2025, the royalty fund reported its fiscal Q4 and full-year results for the period ending August 31<sup>st</sup>, 2025. Food and beverage revenue from corporate restaurant operations rose 4.0% to \$94.1 million Canadian Dollars year-over-year for the company's 16-week Q4 reporting period (adjusting for an extra week in comparison to 2024). Consolidated same store sales rose 2.7%, which was a bit stronger than expected and was impressive amid Canada's muted consumer spending environment right now. Full-year 2025 earnings dipped due to a non-cash charge related to the value of the fund's partnership interests, but earnings would have been up slightly versus 2024 otherwise.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$0.64	\$0.74	\$0.45	\$1.09	-\$4.10	\$0.45	\$3.50	\$1.60	\$0.98	\$0.62	<b>\$1.00</b>	<b>\$1.10</b>
<b>DPS</b>	\$0.86	\$0.60	\$0.90	\$0.93	\$0.14	\$0.39	\$0.81	\$0.85	\$0.80	\$0.83	<b>\$0.85</b>	<b>\$0.94</b>
<b>Shares</b>	10	10	8	11	8	10	10	10	9	9	<b>9</b>	<b>9</b>

SIR Royalty Income has had an uneven earnings per share profile over the past decade. The company recorded a massive EPS loss in 2020 as it recognized a non-cash accounting impairment value on its brands related to the plunge in revenues during the pandemic. A partial reversing of this impairment charge along with benefits from governmental assistance programs led to outsized reported EPS in 2022 and 2023. Stripping out these one-off factors, SIR Royalty's actual annualized core earnings per share power has risen from 82 cents in 2015 to roughly \$1 per share today. We expect approximately 2% EPS growth going forward, primarily driven by incremental store growth.

In July 2025, the firm raised its monthly dividend by 5.2%. With that increase, the dividend per share is now \$.10 per month in Canadian Dollars. This equates to C\$1.20 annually or approximately \$0.85 for U.S. dollar-based investors.

<sup>1</sup> Estimated date.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	13.2	12.5	23.5	5.4	--	19.7	3.1	7.1	10.0	15.5	<b>10.1</b>	<b>10.0</b>
Avg. Yld.	8.3%	6.2%	6.7%	9.8%	28.0%	8.5%	7.4%	6.6%	8.1%	8.6%	<b>8.4%</b>	<b>8.5%</b>

SIR Royalty has averaged a 12.2x P/E ratio over the past decade and 11.1x over the past five years. We believe 10x is fair given the firm's small size, geographic concentration, and limited growth prospects. Therefore, we find that shares are fairly valued today. The current 8.4% dividend yield is in-line with the firm's historic median yield.

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

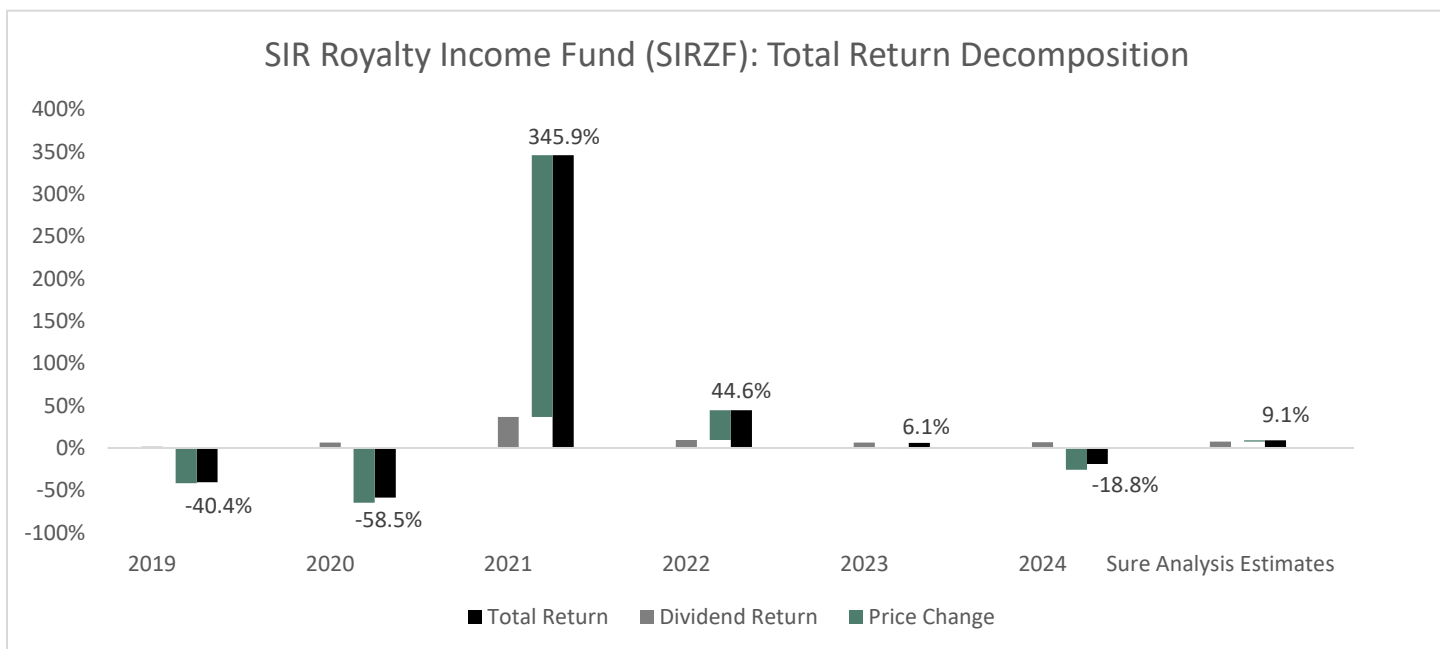
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	134%	81%	200%	85%	--	87%	23%	53%	82%	134%	<b>85%</b>	<b>85%</b>

SIR Royalty pays out almost all of its cash flows as dividends. This can sometimes diverge from reported earnings per share, such as during the pandemic period when the company had large non-cash earnings items. Regardless, we expect an average payout ratio of greater than 80% over the long-term. SIR Royalty's brands are fairly small and the company's business is highly concentrated within the province of Ontario. Additionally, the company is more reliant on sit-down patrons, which can be a risk during periods such as 2020 when demand for food was primarily through delivery channels. Average check size is higher at SIR Royalty than some other Canadian restaurant concepts, which may imply more risk during a recession as consumers potentially trade down to cheaper alternatives.

## Final Thoughts & Recommendation

SIR Royalty Income Fund appears to have reasonable forward returns from here. We estimate 9.1% annualized returns, based primarily on the high dividend yield along with a bit of earnings per share growth potential. However, there are considerable risks here including limited geographic reach, relatively weak consumer brands, and worsening macroeconomic conditions within Canada. 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	9	10	11	6	13	(32)	6	38	17	12
Net Profit	7	7	8	4	10	(33)	4	34	14	9
Net Margin	71.2%	69.7%	69.8%	64.0%	75.3%	103.0%	68.9%	90.7%	81.9%	74.4%
Free Cash Flow	7	7	8	8	8	2	5	9	6	7
Income Tax	2	3	3	2	3	1	1	3	3	3

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	61	71	76	67	72	38	39	61	69	66
Cash & Equivalents	0	0	0	0	0	0	1	2	0	1
Total Liabilities	4	4	4	4	4	5	5	5	4	4
Accounts Payable	0	0	0	0	0	0	0	0	0	0
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	57	67	72	64	68	33	33	56	64	61
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.1%	10.2%	10.4%	5.5%	13.7%	-59.6%	10.2%	68.2%	21.8%	13.1%
Return on Equity	10.7%	10.8%	10.9%	5.8%	14.5%	-64.7%	11.7%	76.2%	23.5%	14.0%
ROIC	10.7%	10.8%	10.9%	5.8%	14.5%	-64.7%	11.7%	76.2%	23.5%	14.0%
Shares Out.	10	10	10	8	11	8	10	10	10	9
Revenue/Share	0.94	0.92	1.05	0.74	1.19	(3.81)	0.55	3.89	1.80	1.26
FCF/Share	0.69	0.63	0.73	0.92	0.72	0.20	0.49	0.92	0.62	0.79

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

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### Disclaimer

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