



## Earnings Preview: What to Expect When Tim Hortons Inc Reports This Week

### Description

**Tim Hortons Inc** (TSX: THI)(NYSE: THI) is scheduled to report its quarterly earnings on Wednesday. While the company remains the No. 1 coffee and doughnut chain in Canada, investors are worried that its business concept is going stale. Let's take a peek at what has been happening at the company over the past few months and what we're likely to see in the upcoming report.

### Stats on Tim Hortons

<b>Analysts' EPS Estimate</b>	\$0.87
<b>Year-Ago EPS</b>	\$0.81
<b>Revenue Estimate</b>	\$843.77M
<b>Change From Year-Ago Revenue</b>	5.5%
<b>Earnings Beats in Past Four Quarters</b>	2

Source: Yahoo! Finance

### Can Tim Hortons continue to grow?

Analysts have been steadfast in their views on the company's earnings in recent months, only raising their consensus profit estimate for the upcoming quarter by a penny. The stock has been trading flat in lock-step, up only 2% since late May.

It was around that time that Tim Hortons celebrated its 50th anniversary. On May 17, 1964, the original 'Tim Hortons restaurant opened its doors in Hamilton, Ontario. Today, the chain is now a fixture of Canadian culture. A study from marketing research company Ipsos Reid found that Tim Hortons ranked as the sixth most influential brand in the country last year.

However, beneath the celebration, there are growing worries that the Tim Hortons expansion has run its course. With more than 3,600 restaurants across Canada, the company has exhausted most of its obvious expansion avenues. Efforts to branch out in the United States have been mixed so far.

Competitors are also looking to steal a chunk of the market. **Starbucks Corporation** has spent years heading an ambitious Canadian rollout, chasing high-margin customers who prefer cappuccinos and lattes. Meanwhile, **McDoanld's Corporation** began to lure more cost-conscious coffee drinkers with cheap drinks and promotional giveaways.

Chief Executive Marc Caira's job is to convince investors that the company still has a long growth runway ahead of it. Over the next five years, Caira sees room for more than 500 new locations across Canada — primarily smaller kiosks and captive audiences like sport stadiums and hospitals. Management is also planning an expansion into new markets, namely the Middle East and the U.S. midwest.

Tim Hortons is also defending its home turf from rivals through store renovations and new product launches. The company is also trying to squeeze more sales out of existing stores by encouraging customers to opt for three or four items with each order, rather than one or two. These efforts have already provided a material boost to same-store sales.

In its upcoming report, be sure to watch the progress of these growth initiatives closely. Are customers purchasing more food items with each order? Are U.S. customers starting to buy into the Tim Hortons concept? Commentary in this upcoming conference call could provide a glimpse of the company's earnings prospects for many quarters to come.

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