2 Reasons to Buy Shares of Restaurant Brands International Inc.

Description

Good ol' Timmies just keeps on delivering. Since Tim Hortons merged with Burger King, shares of the "new" amalgamated company, **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR), have jumped 21% since it debuted on December 11, 2014. The gains may not accelerate as much as it did in the past month, however, investors can still expect a modest upside to the stock for the year to come. Here's why.

1. Cost savings: There are a lot of cost saving opportunities expected with the newly formed company. 3G Capital is a majority-owner of Restaurant Brands (owns 51% stake) and had previously owned about 71% stake in Burger King. When 3G Capital took over Burger King, it reduced the per store costs from $34,000 to $15,000. An analyst at **Goldman Sachs** believes that something similar can be done with Tim Hortons too, and he expects the reduction in per store cost could come down from $35,000 to $30,000.

2. International expansions: 3G Capital also has a reputation of successful expansions. In the case of Burger King, it sprouted BK joints everywhere – expanding from 100 stores a year to about 700 a year! So there is a good chance that international expansions will be seen in the coming years for Tim Hortons.

What's interesting is that while Tim Hortons is known by consumers in Canada as a more economical coffee chain to satisfy their morning coffee needs, I noticed that Timmies is branded as a premier "coffee and bake shop" in cities like Dubai.

Tim Hortons' international expansion so far has resulted in mixed success, but with Burger King acting as big brother, Timmies could possibly find it easier to expand internationally. Whether the new stores perform well or not, Goldman Sachs expects just the news of expansion to boost share prices higher.

Of course, in the short term, a huge factor impacting Tim Hortons' sales is the weather. Last year, coffee sales suffered deeply as Canadians refused to brave the extreme weather. But this year, due to a relatively milder winter, more Canadians are expected to stop into a Tim Hortons for a cuppa.

If you still aren't sure about whether Restaurant Brands is a stock you should own in your portfolio, simply remember, the legendary investor Warren Buffett recently bought $3 billion shares in Restaurant Brands through a subsidiary of his company **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B). He has also hinted that he intends to buy more shares in the future.

CATEGORY

1. Investing

TICKERS GLOBAL

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Author
sandram