



Satisfy Your Hunger for Growth With These 3 Restaurant Stocks

Description

The restaurant industry is arguably the most competitive industry in Canada today, with brands coming and going every day, and this makes it very difficult on investors who want exposure to its growth. To make things easier for you, I have scoured the market and found three companies with best-in-class brands whose stocks are trading at inexpensive valuations compared with the industry average, so let's take a closer look at each to determine which would be the best fit for your portfolio.

1. MTY Food Group Inc.

MTY Food Group Inc. ([TSX:MTY](#)) is one of the largest franchisers in Canada's restaurant industry with 2,647 locations coast to coast in Canada and 81 locations in the United States. At today's levels, its stock trades at 22.5 times fiscal 2015's estimated earnings per share of \$1.59 and 21.3 times fiscal 2016's estimated earnings per share of \$1.68, both of which are inexpensive compared with the industry average price-to-earnings multiple of 49.9. In addition, the company pays a quarterly dividend of \$0.10 per share, or \$0.40 per share annually, giving its stock a 1.1% yield.

2. Restaurant Brands International Inc.

(All figures are in U.S. dollars)

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#)) is one of the world's largest quick-service restaurant companies, with over 19,000 locations in nearly 100 countries and U.S. territories under the Burger King and Tim Hortons' brand names. At current levels, its stock trades at 44.3 times fiscal 2015's estimated earnings per share of \$1.17 and 35 times fiscal 2016's estimated earnings per share of \$1.48, both of which are inexpensive compared with the industry average price-to-earnings multiple of 49.9. Also, the company pays a quarterly dividend of \$0.10 per share, or \$0.40 per share annually, giving its stock a 0.9% yield.

3. Cara Operations Ltd.

Cara Operations Ltd. (TSX:CAO) is one of Canada's largest owners, operators, and franchisors of restaurants, with over 800 locations across the country. At today's levels, its stock trades at 37.8 times

fiscal 2015's estimated earnings per share of \$0.90 and 27.6 times fiscal 2016's estimated earnings per share of \$1.23, both of which are inexpensive compared with the industry average price-to-earnings multiple of 49.9. Investors should also note that Cara does not currently pay dividends as it is focused on growth and expansion, but I think it could initiate one or announce a special dividend in the next three to five years.

Which restaurant stock belongs in your portfolio?

MTY Food Group, Restaurant Brands International, and Cara Operations represent three of the best long-term investment opportunities in the restaurant industry today. Foolish investors should take a closer look and strongly consider buying one of them right now.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:MTY (MTY Food Group)
3. TSX:QSR (Restaurant Brands International Inc.)

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