



Is Restaurant Brands International Inc. Headed to New All-Time Highs?

Description

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#)), one of the world's largest quick service restaurant companies, announced second-quarter earnings before the market opened on of July 27, and its stock has responded by rising over 5%. Let's take a closer look at the results to determine if we should consider buying in to this rally, or if we should wait for a better entry point in the trading sessions ahead instead.

The results that ignited the rally

Here's a summary of Restaurant Brands' second-quarter earnings results compared to its pro forma results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q2 2015	Q2 2014
Adjusted Earnings Per Share	\$0.30	\$0.24
Total Revenue	\$1.04 billion	\$1.06 billion

Source: Restaurant Brands International Inc.

Restaurant Brands' adjusted earnings per share increased 25% and its revenue decreased 1.6% compared to the second quarter of fiscal 2014. The company's very strong earnings per share growth can be attributed to its adjusted net income increasing 27.3% to \$142.7 million, helped by its total costs of sales decreasing 4% to \$475.9 million. Its slight decline in revenue can be attributed to sales decreasing 4.3% to \$539 million and franchise and property revenues decreasing 4.4% to \$224.2 million in its Tim Hortons segment, which was only partially offset by sales increasing 57.4% to \$28.8 million and franchise and property revenues increasing 2.7% to \$249.4 million in its Burger King segment.

Here's a quick breakdown of eight other notable statistics from the report compared to the year-ago period:

1. System-wide sales increased 2.6% to \$4.41 billion at Burger King
2. System-wide sales decreased 2.6% to \$1.66 billion at Tim Hortons
3. On a constant currency basis, system-wide sales increased 11.6% at Burger King and 8.4% at Tim Hortons
4. Comparable-store sales increased 6.7% at Burger King
5. Comparable-store sales increased 5.5% at Tim Hortons
6. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 7.3% to \$427.2 million
7. Opened 141 net new Burger King Restaurants during the quarter, bringing its total count to 14,528
8. Opened 52 net new Tim Hortons restaurants during the quarter, bringing its total count to 4,776

Restaurant Brands also announced a 20% increase to its quarterly dividend to \$0.12 per share, and the next payment will come on October 2 to shareholders of record at the close of business on August 28.

Could the rally continue?

It was a solid quarter overall for Restaurant Brands, so I think the pop in its stock is warranted. I also think this could be the start of a sustained rally to new all-time highs, because the stock still trades at attractive forward valuations, including 47 times fiscal 2015's estimated earnings per share of \$1.17 and 37.2 times fiscal 2016's estimated earnings per share of \$1.48, both of which are inexpensive compared to the industry average price-to-earnings multiple of 50.2.

With all of the information provided above in mind, I think Restaurant Brands International represents one of the best long-term investment opportunities in the highly competitive restaurant industry. Foolish investors should take a closer look and consider beginning to scale in to positions today.

CATEGORY

1. Investing

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