Which Is the Better Investment: Cara Operations Ltd. or Restaurant Brands International Inc.?

Description

Both **Cara Operations Ltd.** (TSX:CAO) and **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) are food services companies with impressive footprints of restaurants across the country and internationally.

While both companies offer opportunities for investors, one will serve as a better investment than the other. Let's take a look at both to determine the better option.

The case for Cara Operations Ltd.

Cara Operations Ltd. is the oldest full-service restaurant company in Canada. Cara is the parent company of several well-known restaurant chains such as Harvey's, Swiss Chalet, Milestone's, Casey's, Montana's, and Kelsey's to name just a few.

The company has over 1,000 locations with 37 of those located internationally. Nearly two-thirds of Cara's Canadian locations in Canada are located in Ontario,

Cara currently trades at $24.05. Year-to-date, the company is down by 21%, and expanding out over the past six months shows the stock is down by over 30%. Cara pays out a quarterly dividend of $0.10 per share, giving the stock a yield of 1.69%.

In the most recent quarter Cara reported same restaurant sales growth of 1.9% for the quarter with the year-to-date figure coming in at 2.7%, falling in line with the company's projections in the 2.5-4% range. This represents the seventh consecutive quarter of same restaurant sales growth for the company.

System-wide sales for the company were reported to be $438.6 million, a 2.6% increase over the same quarter last year. Net earnings came in at $19.2 million, representing an impressive 773% increase over the same quarter last year.

The case for Restaurant Brands International

Restaurant Brands International is the company born from the merger of two well-known fast-food chains: Burger King and Tim Hortons. Investors first became aware of the company in the past year, and the full potential of the merger is only just starting to be felt.

While only encompassing the two brands, Restaurant Brands International has over 19,000 locations and employs over 450,000 people in nearly 100 countries around the globe.

Restaurant Brands International currently trades at over $46, mid-way between the 52-week high of $58.83 and the low of $40.75. Year-to-date the company, like much of the market, is down by 10%.

In the most recent quarter, the company exceeded analysts' expectations by posting earnings of $0.35 per share, where analysts were calling for $0.29 per share. The amount is also nine cents greater than it was a year ago, showing strong growth for the company.

Revenues for same-store sales were also up at both brands with Tim Hortons and Burger King posting increases of 6.3% and 3.9%, respectively. Fueling this growth into the next quarters, the company added 334 new Burger King locations and 69 new Tim Hortons locations in the quarter.

Restaurant Brands International also declared $0.44 in dividends for 2015, which represents a near 50% increase over the dividends that Burger King previously offered before the merger.

And the better investment is…

In my opinion, Restaurant Brands International is the better of the two investments. The company is growing at an incredible rate, just raised the dividend, and had a stellar quarterly result. The company also has a larger, more diversified footprint spanning the globe, which is better suited to withstand slumps in the market as we are seeing in Alberta. And while the stock is down year-to-date, much of the market is in the same position, so this should be seen as an opportunity to invest.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
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