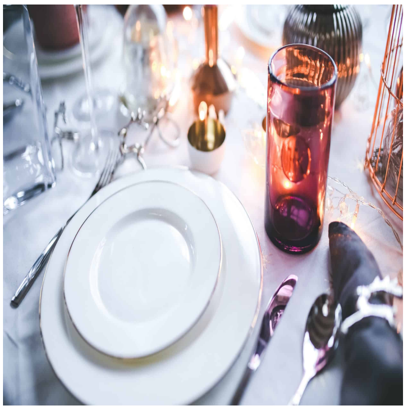

What Is the Best Restaurant Stock to Own?

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) and **Cara Operations Ltd.** (TSX:CAO) are two of the largest restaurant companies in Canada in terms of size and popularity, but only one of these two can be the better investment for your portfolio.

Let's take a look at both companies.

Cara Operations Ltd.

Cara first opened its doors in 1883 and has since grown to be the oldest and largest restaurant company in Canada. It has an impressive portfolio of over 1,000 locations spanning across Canada and internationally. Cara's portfolio includes a number of well-known brands, including Harvey's, Milestone's Swiss Chalet, Casey's, Kelsey's, and Montana's.

Cara announced second-quarter results earlier this month that showed significant improvement. Total systems sales for the quarter came in 3% higher than in the same quarter last year, totaling $450.3 million. Net earnings for quarter came in at $18.1 million, or $0.37 per share, an increase over the $15.9 million, or $0.34 per share, posted for the same quarter last year.

EBITDA for the quarter jumped by 15.5% in the most recent quarter, coming in at $32.8 million when compared to the $28.4 million posted in the same quarter last year. This figure was an important milestone for the company, as Cara had stated as far back as 2013 that a goal was for EBITDA to eventually fall into line between 7% and 8%.

In terms of a dividend, Cara pays out a quarterly dividend of $0.1017 per share, which–given the current stock price of just over $30–results in a yield of approximately 1.35%.

What's great about investing in Cara? The dizzying number of well-known brands that Cara has helps diversify the business into multiple customer segments of the food service industry, ranging from the burger-and-fries fast-food model of Harvey's and NY Fries, all the way up to chef-inspired menus available in Milestone's.

Restaurant Brands International Inc.

Restaurant Brands is the company behind both the Tim Horton’s and Burger King brands. While Restaurant Brands has fewer total brands than Cara, both the Tim Hortons and Burger King brands have a much larger footprint with more than 19,000 locations between them, spanning more than 100 countries.

Restaurant Brands reported second-quarter results earlier this month as well, showing strong results and growth prospects. Total revenues came in at $1,040.2 million for the quarter, nearly unchanged from the $1,042.2 million posted for the same quarter last year. Total diluted earnings per share was $0.38 for the quarter–up sharply from the $0.05 posted in the same quarter last year. Adjusted EBITDA for the quarter was $479.1 million, which was up by 16.2% over the same quarter last year.

Both Tim Hortons and Burger King finished the quarter with more locations and with stronger sales in comparison to the same quarter last year.

Restaurant Brands’s dividend is currently pegged to $0.21 per share. Given the current stock price of $62.05, this gives the company a yield of 1.34%.

What’s great about investing in Restaurant Brands? The company owns two very iconic brands that are in the midst of a growth cycle, both domestically and internationally. Both brands also cater to slightly different segments, which makes cross-cannibalization of the two brands very unlikely.

The better investment option is…

Both Cara and Restaurant Brands have just come off strong quarters, pay out similar dividends, and have fairly strong portfolios. The one company that, in my opinion, stands out more is Restaurant Brands. Strong earnings and a larger, more lucrative brand offering give Restaurant Brands a slight edge over Cara.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/08/27
Date Created
2016/08/23
Author
dafxentiou