



I'm Hungry for Restaurant Brands International Inc.

## Description

When Tim Hortons and Burger King merged to create **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)), I was unsure if it was going to be a smart long-term move. However, after looking at how the two merged companies are doing, I can't help but admit that I'm quite hungry for what the company has to offer.

There are many reasons to love the company. The primary reason has to do with expansion. Ever since the merger, Restaurant Brands has been looking to take the well-known coffee brand and expand it into other parts of the world.

Back in July the company announced the formation of a master franchise joint venture company in the Philippines for Tim Hortons. The CEO chose the Philippines because of its strong economy and propensity for quick-service restaurants. While the company didn't reveal how many Tim Hortons will launch, the CFO suggested that it would match its peers in the market. According to *CBC*, that could be hundreds of restaurants.

And then there's its expansion into the United Kingdom. This could be highly lucrative because the U.K. is still an underdeveloped market for coffee shops. The number of new coffee shops that open each year grows by approximately 10%; therefore, it's clear that there is a market for Tim Hortons there. This could prove to be very profitable for the company in the coming years.

One of the big reasons it has been able to grow so much is because of that master franchise joint venture (MFJV) model. In 2011 there were fewer than 150 Restaurant Brand stores in Brazil. Now there are over 500. In China there were fewer than 90 in 2012. Now there are over 450. And in Russia there were fewer than 90 back in 2012. Now there are over 350. This MFJV model allows for rapid scaling, which is key for earnings.

Overall, Tim Hortons saw global comparable sales growth of 2.7% and a 3.3% increase year over year in new restaurants. Its adjusted EBITDA increased 24.1% to \$279 million. For Burger King, it only had a global comparable sales increase of 0.6% and a 3.9% increase in restaurant growth. But this makes sense because the brand is already so much larger. That being said, it still had a 6.5% year-over-year

increase in its adjusted EBITDA to \$200 million.

This growth has made it possible for Restaurant Brands to feed very hungry income investors. Back in the Q1 2013, the company paid \$0.05 per share. Admittedly, that was only for dividends paid by Burger King. Fast forward to Q1 2015, and suddenly you have the power of both brands paying dividends. Management increased the dividend by a penny from \$0.15 to \$0.16 during the Q3 2016.

And I believe there's still room to grow because the yield is only 1.41%. So long as the company is able to continue increasing profitability (and all signs point to that being a reality), then management should have no qualms with continuing to increase the dividend in the coming years. For hungry income investors, you really can't go wrong with this company.

## **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.)

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