Is Restaurant Brands International Inc. in Your Portfolio?

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) announced fourth-quarter earnings and year-end results for fiscal 2016 this morning, and the company, once again, impressed.

Restaurant Brands International is the name behind two well-known brands: Burger King and Tim Hortons. Following the merger of the two companies just a few short years back, the behemoths combined to form Restaurant Brands, which now encompasses over 20,000 restaurants in over 100 countries with $24 billion in annual sales.

Q4 and fiscal 2016 results are in

In the fourth quarter, Restaurant Brands realized comparable sales growth of 2.3% at Burger King and 2.5% at Tim Hortons. Net restaurant growth across both brands saw an improvement of 4.8% year over year. Both brands saw impressive growth in system-wide sales with Tim Hortons registering 5.2% growth and Burger King seeing 7.8% growth.

On an earnings basis, adjusted diluted EPS saw an increase of 45% year over year to US$1.58, and adjusted net income for the year topped US$744 million — a 43.4% increase over last year.

For the full year, profit for Restaurant Brands came in impressively 233% higher than the US$103.9 million, or $0.50 per share, reported last year. Looking just at the fourth quarter, Restaurant Brands realized an increase in net income by 67.7%. Revenue for the fourth quarter was US$1.11 billion.

Total revenue for the company across all of fiscal 2016 topped US$4.15 billion, of which US$3 billion was attributed to Tim Hortons.

Restaurant Brands also hiked the quarterly dividend this week, setting it to US$0.18 per share.

What's next for Restaurant Brands?

The latest results are in a word, impressive, but that's not to say that Restaurant Brands can't strive to do any better next year, which the company appears to be lining up to do.

For Tim Hortons, the theme of the past few quarters has been expansion, and that is likely to continue over the next year. Last year, a series of master franchise agreements were signed that will ultimately result in Tim Hortons locations popping up in the Philippines, the U.K., and, more recently, Mexico.

That expansion is not limited to the international market either; Tim Hortons's U.S. locations are currently situated in border states, but a broader expansion is starting to take shape. Last year, Restaurant Brands signed development agreements in both Indianapolis and Minneapolis.

The approach to expansion that Tim Hortons has adopted mirrors what Burger King has used and been very successful with. Burger King also showed strong growth in the past year with the company reaching 650 outlets in China, and strong demand in India and Korea as well.

Burger King's purchase of Belgian Quick restaurants will ultimately result in additional locations added to its network; the first restaurants in France were converted last year.

Is Restaurant Brands a good investment?

One of the often-cited concerns relating to Restaurant Brands is the amount of debt the company carries. While Restaurant Brands has impressively become a profitable and efficient company, that debt, which is shrinking, still looms over the company.

That being said, strong returns, an aggressive and, to date, successful expansion plan, and an increasing dividend all make Restaurant Brands a likely candidate for almost any portfolio.

In my opinion, Restaurant Brands International is a great option for investors looking for long-term growth.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/07/29
Date Created
2017/02/13
Author
dafxentiou