



Will its Bet on Chicken Send Restaurant Brands International Inc. Stock Flying Higher?

Description

The deal, which had been speculated about in the media for a couple of weeks, was officially announced February 21.

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#)) is buying **Popeyes Louisiana Kitchen Inc.** (NASDAQ:PLKI) for US\$1.8 billion, giving the Oakville company the third leg in its global restaurant empire that currently includes Tim Hortons and Burger King.

Popeyes is a big player in chicken, a segment of the fast-food restaurant industry that Restaurant Brands International currently has very little participation. Restaurant Brands International CEO Daniel Schwartz believes it can do for chicken what it's already doing for its two existing concepts.

3G Capital, the people behind Restaurant Brands International, are especially good at two things: taking the fat out of businesses and then growing the heck out of them.

Expect more fireworks from all of 3G's investment platforms in the months ahead—including Restaurant Brands International.

Why chicken?

Nine of the top 50 quick-service restaurant chains in the U.S. are chicken brands with combined 2015 U.S. system-wide sales of US\$20 billion, US\$3.1 billion from Popeyes, the number three chicken brand behind KFC, which is in the second spot, and Chick-fil-A in the top spot with US\$6.8 billion in 2015 U.S. system-wide sales.

More importantly, buying Popeyes gives Restaurant Brands International two brands in the top 20 — Popeyes in 20th position and Burger King in the fourth spot — and an economies of scale 3G Capital desperately seeks.

"The addition of a chicken-based chain may help Restaurant Brands compete more aggressively against Yum Brands' Kentucky Fried Chicken," *Bloomberg* analyst Jennifer Bartashus said. "... and

may help Popeyes accelerate new store development plans and catch up to peers in customer-facing technology.”

Whenever acquisitions take place, investors tend to focus on the price of the deal, forgetting some of the intangibles that make it worthwhile.

In the case of Popeyes, it’s definitely CEO Cheryl Bachelder, who joined the company on November 1, 2007, and quickly went to work fixing a restaurant chain that had seen four CEOs in seven years and was failing its franchisees.

Since then, Popeyes shareholders have seen its stock increase by 21.7% annually in the nine years since Bachelder took the helm.

One of the best CEOs in the U.S., Bachelder spent 30 months as KFC’s president and chief concept officer prior to joining Popeyes. Fortunately for Popeyes, KFC let her go in the fall of 2003, so she took time off to be with her family.

After a nice period away from the world of business, Bachelder joined Popeyes’s board in 2006. She spent a year learning about the company before taking the reins as CEO.

The rest, as they say, is history.

As long as Bachelder remains at the helm of Popeyes — or even takes the helm at the parent company, pushing CEO Daniel Schwartz to some other challenge within the 3G world — I see Restaurant Brands International stock flying higher.

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

2025/08/26

Date Created

2017/02/22

Author

washworth

default watermark