



Fast-Food Fight: Restaurant Brands International Inc. vs. Yum! Brands, Inc.

Description

The quick-serve restaurant business is a great place to invest. These restaurants offer fast, cheap food to consumers, and there's usually a ton of growth potential with a franchise model. If you're looking at a business with terrific restaurant brands in its portfolio and a management team that's capable of expanding the business to an international scale, then you could have the formula for a long-term winner on your hands.

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#)) and **Yum! Brands, Inc.** ([NYSE:YUM](#)) are two fast-food giants that have a similar growth plan to take over the world one fast-food chain at a time. Many investors have compared the two, but which one is the better bet?

Restaurant Brands

Restaurant Brands is a quick-serve restaurant operator with incredible brands such as Burger King, Tim Hortons, and Popeyes Louisiana Kitchen. The company is run by a legendary Brazilian management team, 3G Capital, which has a proven track record for international expansion and the ability to cut costs like no other.

3G Capital can drive same-store sales through investment initiatives. And you won't find any of the board members treating themselves to corporate luxuries, like a jet or anything fancy like that. They're focused on delivering long-term value for shareholders, and it's a huge reason why the company is backed by Warren Buffett.

Restaurant Brands is entering the fried chicken business with its recent acquisition of Popeyes Louisiana Kitchen. This has got to be concerning for shareholders of Yum! Brands, because the last thing KFC needs is one of its biggest competitors to get an international expansion boost from Restaurant Brands. Popeyes is an amazing brand that hasn't unlocked its true growth potential yet. But now, with 3G Capital on board, you can bet that they won't chicken out when it comes to cost savings and strategic international expansion.

Yum! Brands

Yum! Brands owns the popular fast-food chains KFC, Taco Bell, and Pizza Hut. The company recently spun off its Chinese business after the company's growth started to stagnate. Yum! Brands is moving towards the franchise model and hopes to be 98% franchised by 2018, so earnings growth can start to pick up again.

I think KFC will face real headwinds now that Popeyes Louisiana Kitchen is a part of Restaurant Brands. Sure, KFC is a terrific brand, but it's going to be an all-out war in the fried chicken industry, and I think KFC will get the worst of it as Popeyes locations start popping up all over the globe.

Conclusion

If you're considering buying a fast-food stock, then Restaurant Brands is the much better choice. The management has a better track record of growing organically as well as internationally. I also think the brands have way better long-term growth prospects, and the company is riding a huge amount of momentum that I believe will continue for many years to come. That's likely why Warren Buffett owns shares of Restaurant Brands and not Yum! Brands.

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