



Cara Operations Ltd. Looks Like a Delicious Buy

Description

Cara Operations Ltd. (TSX:CARA) is the parent company behind well-known Canadian dine-in restaurant brands like Swiss Chalet, St-Hubert, Milestones, Kelsey's, and East Side Mario's.

The company is a terrific way to play a strong Ontario economy, since most of Cara's restaurants are within the province. Cara Operations is not as defensive as a fast-food stock, but if you're looking to ride the cyclical upswing, then Cara is a great way to profit from an increase in consumer spending.

I've been following Cara for quite some time, and I think many investors may be overlooking the true power of the company's brands. Every Canadian knows about Swiss Chalet and their chicken dinners that go well with the iconic chalet sauce, but most restaurant-goers outside Ontario or Quebec are probably unfamiliar with the other restaurants under Cara's umbrella.

Great Canadian brands that are often underestimated

I believe many investors are overlooking the true power behind Cara's brands. It doesn't make sense to simply compare Cara to the brands of **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)). These are completely different businesses operating at different scales. Restaurant Brands is a global company with quick-serve brands that are recognized worldwide. Cara is a Canadian company that is staying within its circle of competence.

You can't dismiss Cara's brands just because Burger King is a "superior" brand. If you have a chat with a Quebecer, they'll probably tell you that St-Hubert is "superior" to Burger King. It's important to consider the markets that a brand operates in, so you don't compare apples to oranges.

If you're not from Quebec, then chances are you've never heard of St-Hubert. This is a fantastic brand that has customer loyalty rates like no other restaurant with the exception of Tim Hortons. In a [previous piece](#), I took a deep dive into St-Hubert and went into detail on the true power of the brand in Quebec.

The point is that you don't need to have eaten at restaurants like St-Hubert to know that the brand is powerful. Quebecers can't get enough of St-Hubert, and I believe the brand complements Swiss Chalet very well.

Cara is the dine-in chicken king of Canada, and although the company has no immediate plans to take over the world, Canada has more than enough room for it to grow for years.

Cara trades at an attractive 14.93 price-to-earnings multiple and appears to have a margin of safety after taking a plunge. I'd pick up a few shares now with the intention of picking more up on any further signs of weakness.

Stay smart. Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)
3. TSX:RECP (Recipe Unlimited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/27

Date Created

2017/05/25

Author

joefrenette

default watermark