



## What the Numbers Say About Restaurant Brands International Inc. Stock

### Description

There has been a lot of back-and-forth discussion of late surrounding the class-action lawsuit recently put in motion by Tim Horton's franchisees, accusing **Restaurant Brands International Inc.** ([TSX:QSR](#)) ([NYSE:QSR](#)) management of improperly using money set aside by the franchisees in a national advertising fund, charging the parent company of misappropriation and improper disclosure of where the funds have been spent. While management has explicitly denied any wrongdoing and maintains it will clear up any misunderstandings, the reality is that this private feud has gone public, and shareholders now need to make sense of this new information.

Many conflicting views exist on this subject. Fool contributor Will Ashworth [suggested](#) that Restaurant Brands's share price may unravel in a hurry, while Fool contributor Joey Frenette [believes](#) the public feud will end up in the rear-view mirror, comparing this situation to rocky relationships between franchisees and other large fast-food companies such as **McDonald's Corporation** ([NYSE:MCD](#)) in the past.

My belief is that while this lawsuit may point out some operational issues within the company, it is unlikely that this lawsuit will have any material impact on earnings moving forward. Restaurant Brands continues to have one of the best fast-food growth portfolios on the TSX or NYSE currently and, as such, has the greatest potential for long-term capital appreciation among its peers.

The issue I have with Restaurant Brands stock is the valuation. Many analysts have pointed to the elevated valuation offsetting much of the growth potential of the company, and investors will need to decide how they feel the stock is priced. Perhaps the recent news of a class-action lawsuit will provide enough of a pullback in the stock price for growth investors to begin to get excited about this stock again, or maybe growth investors will be deterred by this recent action, arguing that it may impact the company's ability to roll out Tim Horton's franchises in emerging markets (which it has been doing quite well of late).

Whatever the case, diving into the numbers, investors can decide how they feel Restaurant Brands is priced relative to its growth potential and decide if this is a worthy investment. See the chart below for some context as to how Restaurant Brands is priced relative to its peers, and how its operations stack

up to the competition.

Company	Price	Market Capitalization	P/E	Gross Margin	Net Margin	ROA
Restaurant Brands	\$81.84	\$18.9B	85.1	39.9%	14.6%	5.3%
McDonald's Corporation	\$153.16	\$124.9B	27.0	32.8%	19.6%	15.2%
Yum! Brands, Inc. ( <a href="#">NYSE:YUM</a> )	\$73.76	\$26.1B	31.7	26.5%	24.2%	15.7%
Dunkin Brands Group	\$55.12	\$5.1B	24.8	48.1%	24.8%	7.9%
Wendy's Co. ( <a href="#">NASDAQ:WEN</a> )	\$15.51	\$3.8B	32.0	19.2%	9.4%	4.0%
Jack in the Box Inc.	\$98.50	\$2.9B	23.8	16.1%	8.1%	12.9%

## Bottom line

The relative valuation of Restaurant Brands continues to appear rich, in my opinion. For most fundamental valuation categories, Restaurant Brands ranks poorly given its elevated valuation, when comparing it with companies with similar product offerings and growth profiles.

For these reasons, I remain on the sidelines.

Stay Foolish, my friends.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NASDAQ:WEN (The Wendy's Company)
2. NYSE:MCD (McDonald's Corporation)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. NYSE:YUM (Yum! Brands, Inc.)
5. TSX:QSR (Restaurant Brands International Inc.)

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### **Category**

1. Investing

### **Date**

2025/08/18

### **Date Created**

2017/07/03

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