Restaurant Brands International Inc. Posts Strong Q2 and Plans Expansion into Spain

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) released its second-quarter results today and saw both system-wide sales and profitability increase among all of its major brands. The company's revenues increased by over 8% year over year, rising to $1.13 billion for Q2. Overall profitability saw a slight decline of 1.5%, and earnings per share of $0.37 were down from $0.38 a year ago.

Let's have a look into see what drove the company's results and if now is a good time to invest in the stock.

Note on system-wide and comparable sales

It is important to note the difference between system-wide sales and comparable sales for the company before moving forward. System-wide sales include all locations, regardless of how long operations have been running. Comparable sales will only include locations that have sales to compare against for the prior year and, thus, will exclude new locations that have been open for fewer than 13 months.

Sales growth by segment

The company saw system-wide growth in all of its segments, with Burger King being particularly strong at over 10%. Popeyes showed growth of over 3%, while Tim Hortons increased by just 2%. Restaurant Brands continued to add to its tally of locations with over 23,000 restaurants worldwide, and more than half of those being made up of Burger King, which has now reached 16,000 locations.

Using the comparable sales growth method, the only brand that saw an increase in revenue was Burger King at just under 4% for the quarter. Tim Hortons saw a minor decline of less than 1%, while Popeyes was down over 2% in Q2.

Sales were a mixed bag of results, but overall the company was able to generate growth. Now let'slook at how that translated into profitability.

Profitability by segment

Burger King had a year-over-year increase in total revenue of 4.7% and, due to cost efficiencies in its operations, was able to drive an overall increase in adjusted EBITDA of over 8% from the prior year.

Tim Hortons saw its total revenues up just over 1.6%, and cost of sales remained almost identical. However, increases other franchise and operational expenses eroded most of that increase in margin, and adjusted EBITDA was up less than 1%.

Lastly, Popeyes did not have comparable results for Q2 as it was acquired by Restaurant Brands earlier this year. The brand did manage an adjusted EBITDA of $33 million on $66 million in total revenue.

Planned expansion

The fast-food giant also made a significant announcement on Tuesday, as it has agreed to a joint-venture deal which will allow the company to expand its operations into Spain, particularly its Tim Hortons brand. Restaurant Brands has already expanded into the Philippines, Brazil, and Mexico, as it plans to reach more of the global market.

I like this move as it allows the company to reach a new market which will only allow it to further grow its sales. The Tim Hortons brand has proven it can be successful outside Canada with its strong, successful presence south of the border. It is a calculated risk given that a saturated North American market (particularly Canada) will not leave for much growth opportunities.

I would buy Restaurant Brands given its continued growth and its aggressive plan to push expansion into other markets where it is likely to succeed.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/15
Date Created
2017/08/02
Author
djagielski