3 Reasons Restaurant Brands International Inc. Is a Great Investment

Description

If you haven't yet added **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) to your portfolio, now would be a good time to reconsider that decision.

For those that are unfamiliar with that very generic name, Restaurant Brands is the company that owns some of the largest quick-service restaurants in the country: Burger King, Tim Hortons, and Popeyes.

Collectively, the three brands account for over 23,000 restaurant locations in over 100 countries.

So, what makes Restaurant Brands a good addition to your portfolio?

1. Growth, growth, and growth

When Burger King and Tim Hortons merged to become Restaurant Brands, they each benefited from the strengths of the other. Tim Hortons took Burger King's established and incredibly successful master franchise model and applied it to the coffee chain, which had a minuscule international footprint at the time of the merger.

In a relatively short amount of time, Tim Hortons has expanded into several new diverse markets and plans to continue expanding into additional ones. Earlier this year, Tim Hortons opened locations in the U.K. and the Philippines and has franchise agreements in place to expand into Mexico and Spain.

The agreement to open locations in Spain was announced earlier this month and represents a unique opportunity for the company. Spain is one of the leading countries in Europe for cafes and bake shops.

2. Positive results and positive outlook

Restaurant Brands announced a quarterly update for the second fiscal quarter earlier this month. Once again, it was impressive.

Restaurant Brands reported total revenue of US$1,132.7 million, representing an impressive gain over the US$1040.2 million reported in the same quarter last year. On an earnings basis, Restaurant Brands reported adjusted diluted earnings per share of $0.51, which was a $0.10-per-share improvement over the same quarter last year.

System-wide sales reflected an increase of 2.6% at Tim Hortons, 10.6% increase at Burger King, and 3.3% at Popeyes.

3. A growing dividend and decreasing debt

Restaurant Brands is often overlooked as a stock that can provide a source of income. The $0.25 quarterly dividend currently amounts to a 1.32% yield, which hardly seems like a great dividend, but it has plenty of potential to grow.

One point for investors to keep in mind in this regard is the following: Restaurant Brands has hiked the dividend in every quarter since the merger, and given the string of positive results and growth opportunities, it will likely continue that trend.

By way of comparison, just over two years ago, Restaurant Brands paid a dividend of just $0.09.

When Restaurant Brands was formed, the company assumed a massive amount of debt from the deal of over US$11 billion.

Impressively, Restaurant Brands got that figure down to a net debt of just over US$7 billion earlier this year before the Popeyes acquisition sent the debt back up to over US$10 billion.

The level of discipline to cost-cutting synergies and paying down debt is not only impressive, but it’s an asset to a company that has an aggressive growth policy.

Expect that debt figure to continue dropping over the next few quarters, while the dividend continues to creep upwards.

Restaurant Brands remains, in my opinion, a great investment opportunity for those investors looking to diversify their portfolios with a restaurant stock that holds plenty of long-term potential.

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dafxentiou