



Restaurant Brands International Inc. vs. the Great White North Franchisee Association: What it Really Means for Investors

Description

The relationship between **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)) and Tim Hortons franchisees has reached its boiling point.

The Great White North Franchisee Association (GWNFA) has been giving the management team at Restaurant Brands International a really tough time over disagreements between franchisees and the management over Tim Hortons's new trajectory.

Restaurant Brands is now firing back, accusing the Tim Hortons's franchisee association of leaking classified information. In an email written by a Tim Hortons spokesperson, "There is a small group of restaurant owners who continue to breach their licence agreements by leaking confidential and competitively sensitive business information to the media."

GWNFA president David Hughes is denying the allegations, as you'd expect, and responded by saying Restaurant Brands is "trying to intimidate franchisees" with threats of legal action. Restaurant Brands has served default notices to all board members of the franchisee association. If an investigation shows that the association actually breached the terms of its contract by leaking classified information, the GWNFA will take a punch to the gut.

What does this mean for QSR investors?

The dispute has evolved into a potentially massive public legal battle. There are pundits on both sides, however; most would agree that it's going to be business as usual at your local Tims, while the two sides duke it out. Customers are by no means shunning Tim Hortons over the concerns, and there's no reason to believe that the deteriorating relationship between Restaurant Brands and its franchisees will be cause for concern for investors.

For many Canadians, Tim Hortons is still the go-to place for morning coffee and a doughnut. It's arguably Canada's number one brand, and a dispute like this isn't going to hurt the long-term fundamentals of the business, even if Restaurant Brands's recent accusations are shown to be false.

If it is proved that the franchisee association has been leaking classified information, that's a huge win for Restaurant Brands. The GWNFA has been a thorn in the side of the company for far too long now, and the association would lose a tonne of credibility if they lost such a public legal battle.

Bottom line

It's not a mystery that the management team at Restaurant Brands is relentless when it comes to cost cutting. Their cost cuts are deep, but they have every right to run their operations as they like it, even if franchisees aren't happy about it. Relationships between franchisers and franchisees are seldom perfect, after all.

As a long-term shareholder, I wouldn't think too much about the debacle, as it will have little to no impact on the company's top line. Disputes between franchisees and franchisers are really nothing new in the restaurant industry, nor are they anything to be worried about. It will be interesting to see how this story unfolds, however.

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