Specialty Food Retail Sales Impress: Target These 3 Stocks

Description

A Statistics Canada report on October 20 showed retail sales had declined 0.3% in August. Food and beverage stores experienced a 2.5% decline. Supermarkets and grocery stores saw a 2.8% drop and convenience stores a 3.7% decrease.

Sales at specialty food stores were up 1.4% and 9.9% year over year. This was the third consecutive month of positive growth. With 2017 winding down, let's look at three restaurant stocks to dip into that could benefit from this trend.

Cara Operations Ltd.

Cara Operations Ltd. (TSX:CARA) is a Toronto-based restaurant company that operates a number of chains, including Swiss Chalet, Milestones, Montana's, East Side Mario's, and others. The stock has risen 1.2% in 2017 and dropped 9.1% year over year. Cara is a riskier target because of its exposure to casual dining, which has faced new challenges as consumer trends are changing. Younger generations have turned to other options, which has resulted in shifting market strategies.

The company released its second-quarter results on July 31. System sales jumped 46.7% to $660.8 million in large part due to the acquisitions of BBQ chain St. Hubert and Original Joes. Same restaurant sales growth dropped 0.3%. Cara attributed the Easter season falling into the second quarter as a reason for the decline. The stock also offers a dividend of $0.10 per share with a 1.6% dividend yield.

MTY Food Group Inc.

MTY Food Group Inc. (TSX:MTY) is a franchiser that specializes in operating quick-serve restaurants. Some of its brands include Thai Express, Extreme Pita, Tandori, Yogen Fruz, and others. Quick-serve restaurants have experienced a resurgence in comparison to the decline of casual dining. It is particularly popular among the millennial generation. MTY stock has declined 1.5% in 2017 and climbed 4.2% year over year.

MTY posted its second-quarter results on October 10. System sales increased 54% to $634.9 million. Once again, this jump could be attributed to recent acquisitions, including The Works Gourmet Burger

Bistro, Houston Avenue Bar + Grill, and Industria Pizza + Bar. EBITDA grew 49% to $26.7 million due to impressive performance in its U.S. operations. The stock offers a modest dividend of $0.12 per share with a 0.9% yield.

Restaurant Brands International Inc.

Shares of **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) have increased 32.9% in 2017 and 35% year over year. The performance is particularly impressive considering the internal battle that has engulfed the company. Tim Hortons franchisees in Canada have voiced discontent with the sweeping changes brought in to improve efficiency by its parent company. In October, the Great White North Franchisee Association bolstered its numbers and has now recruited half of all Tim Hortons franchisees across Canada.

Tim Hortons and Popeyes have both posted disappointing growth in 2017, while Burger King has surged ahead for RBI. CEO Daniel Schwartz is confident that the changes introduced will bear fruit in the final two quarters of 2017. Shares are hovering close to all-time highs, and the stock offers a dividend of $0.25 per share with a 1% dividend yield.

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2. TSX:MTY (MTY Food Group)
3. TSX:QSR (Restaurant Brands International Inc.)
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