



Restaurant Brands International Inc.: Patient Investors Will Be Rewarded

Description

After mediocre growth results for Tim Hortons this past quarter, many investors are wondering if the dispute between its franchisees and management at **Restaurant Brands International Inc.** ([TSX:QSR](#)) ([NYSE:QSR](#)) is finally starting to creep its way into quarterly reports.

While Burger King is firing on all cylinders, Tim Hortons is still showing modest year-over-year growth numbers, and that has some folks [worried](#), like Fool contributor David Jagielski, who believes that investors should think twice about owning shares of QSR since both Tim's and Popeyes have "fail[ed] to see any improvements in its comparable-store sales" of late.

I think fears over recent sub-par comps at Tim's and Popeyes are overblown at this point. Investors need to take a step back and look at the long-term picture. QSR has very ambitious expansion plans. Management has a proven track record of not only expanding on an international scale but increasing same-store sales (SSS) through its various initiatives.

Billionaires Warren Buffett and Bill Ackman trust in 3G Capital, and I believe many investors ought to as well, even though it can be hard with the general public's short-term mindset.

It probably won't take a few quarters or even a few years to fully realize the potential from its acquisitions. It's not as simple as acquiring, cutting costs, and expanding. Management needs to find a balance between cost cuts, and do its market research to ensure newly opened locations will be successful, otherwise, the company won't be running in the most efficient manner, and, as many know, 3G is all about efficiency.

Is the franchisee dispute hurting Tim Hortons's SSS numbers?

I believe the dispute may be affecting the choices of some customers, but not enough to make a meaningful long-term impact on Tim Horton's SSS numbers. Tim Hortons is practically a staple in Canada, and although some would argue the cost cuts have gone too far, as a frequent Tim's customer myself, I haven't really noticed such cuts.

Fellow Fool contributor Will Ashworth seems to think that the [dispute](#) may be one of the reasons to

avoid the stock, but I'm not convinced.

There are recent headwinds that are going to hurt the company's bottom line. Minimum wage increases in select markets, for example, are a clear negative for the business, and franchisees don't want to hear of it. All they care about is their profits, and they're not willing to make any sort of sacrifice, because there's no reason to, especially if there's a unionized alliance!

To make matters worse, 3G Capital is a relentless cost cutter, but that's for the good of not just investors, but for the long-term value of the brand itself (at the international scale). The savings aren't just going towards marketing initiatives; they're going towards new product developments, which are likely SSS drivers for the long term.

Franchisees don't want to hear about it though. Most of them couldn't care less about the brand at the international scale or long-term value drivers. The brand is already iconic in Canada, so such initiatives probably wouldn't fatten up their wallets, so they'll continue to complain until everything is made right for them.

Unfortunately, if this were to happen, then investors would be complaining, and the next thing you know, Bill Ackman may need to put his activist investor hat on to solve the situation should QSR's long-term growth trajectory be dampened by the franchisee dispute.

Bottom line

While SSS at Tim's may have been disappointing over the last few quarters, I do not believe the heated dispute with its franchisees are the sole reason for the blame. Popeyes is off to a slow start, too. However, I believe the disciplined investors with patience will be the ones to realize the real long-term rewards once QSR has time to fully digest its acquisitions and find sweet spots in each chain, like it has with Burger King.

Until then, the management at QSR has the tough task of trying to improve its franchisee relationship without disappointing investors. It's a difficult balance, but I'm confident that management can resolve this issue in time.

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