Should You Buy the Dip in Restaurant Brands International Inc.?

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) is one of the largest quick-service restaurant companies in the world. Its iconic brands include Burger King, Tim Hortons, and Popeyes Louisiana Kitchen, which have all operated for more than four decades. Altogether, Restaurant Brands has more than 23,000 restaurants in over 100 countries and more than $29 billion in system sales.

The stock has been on a tear in the last two years or so by appreciating ~60%! Recently, the stock experienced a meaningful dip of ~10% from its 52-week high. So, it's a good time to revisit the stock for a potential purchase.

The brands

Tim Hortons is no stranger to Canadians, as the company is Canada's largest quick-service restaurant chain. Its first location was established in 1964 in Hamilton, Ontario.

Burger King was founded in 1954 and has grown to be the second-largest fast food hamburger chain in the world. It serves over 11 million guests every day.

Popeyes is one of the largest global quick-service restaurant chicken concepts with more than 2,600 locations in the U.S. and around the globe.

Growing dividend

Although Restaurant Brands only offers a yield of ~1.4%, and income-focused investors will be inclined to pass it by, it could be a great holding if you're looking for future income.

The company has been shareholder friendly by growing its dividend at a tremendous pace. Since 2015, Restaurant Brands's quarterly dividend has increased 122%, which equates to an annualized rate of ~33%. With a payout ratio of ~40% and earnings growth, investors can be sure that the company will continue to grow its dividend at a nice pace.

A growth-oriented investment

At the end of the day, with Restaurant Brands offering a ~1.4% yield, there's no argument that investors holding or buying in to the stock are looking more for growth than income.

The Street consensus estimates that the company will grow its earnings per share by 17-21% per year for the next three to five years, while the stock trades at a price-to-earnings multiple of about 31. So, the ~10% pullback is a good opportunity for long-term accounts to pick up some shares.

Investor takeaway

If Restaurant Brands manages to grow its profitability at a double-digit rate, as analysts think it will, it wouldn't be surprising for the company to continue growing its dividend at a double-digit rate.

The meaningful dip the stock has experienced as of late is a good place to start building a position for price appreciation and dividend growth in the long run. If the stock experiences any further dips, it would be a nice opportunity to add more shares to lower your average cost per share.

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Date
2025/08/07
Date Created
2017/12/06
Author
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