



Top 3 Restaurant Stocks to Buy Before 2018

Description

I recently [covered](#) the Canada Food Price Report released by researchers at Dalhousie University and the University of Guelph. Overall food price inflation is expected to rise 1-3% in 2018.

Consumers are also spending a greater proportion of their grocery budget on dining out. Food prices at restaurants are projected to rise 4-6% in 2018. According to the report, the average household is expected to spend nearly 30% of its budget on food service in 2018.

Let's take a look at three restaurant stocks investors should be targeting as they keep these trends in mind.

Freshii Inc. ([TSX:FRII](#))

Freshii debuted on the TSX on January 31. Shares have plunged 41% from its IPO price of \$11.50 as of close on December 21. Freshii stock has been battered after leadership adjusted its growth forecast and curbed some of its expansion plans, but there is still reason for optimism. In late November, I'd [discussed](#) why Freshii was still a solid buy. The stock has climbed 19.2% month over month.

Freshii released its third-quarter results on November 2. The company reported same-store sales growth of 5.1% in the quarter. Freshii also opened 13 net new stores in Q3, reaching a system-wide total of 345, which represented a 41% increase year over year. The company has projected a system-wide front-door store count of between 730 and 760 stores by the end of fiscal 2019.

Freshii has successfully tapped into a trend of health-conscious restaurant-goers. With consumers predicted to splurge more on dining out in 2018, the company looks poised to continue its solid growth pace.

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#))

RBI stock has climbed 23.5% in 2017. However, shares have dipped 6.2% month over month. The stock has performed well in spite of a months'-long internal battle with its Tim Hortons franchisees.

The company released its third-quarter results on October 26. RBI reported net income of \$91.4 million compared to \$86.3 million in the prior year. Comparable sales were up 0.3% and 3.6%, respectively, at its Tim Hortons and Burger King locations, but were down 1.8% at Popeyes. All restaurant chains experienced system-wide sales growth, with Burger King seeing the largest uptick at 11.2%.

RBI stock also offered a quarterly dividend of \$0.27 per share with a 1.2% dividend yield.

MTY Food Group Inc. ([TSX:MTY](#))

MTY Food Group stock has increased 9.5% in 2017 and 15.6% over a three-month span dating back to September 21. Some of the top MTY Food Group brands include Extreme Pita Country Style, Tiki Ming, and many others. The company released its third-quarter results on October 10.

EBITDA grew 49% to \$26.7 million in the third quarter, with Canadian operations making up over half of the total EBITDA earned. Revenue increased 39% to \$73.6 million with year-to-date revenues up 73% to \$213.9 million.

MTY Food Group stock also offered a modest quarterly dividend of \$0.12 per share, representing a 0.8% dividend yield.

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2. TSX:FRII (Freshii)
3. TSX:MTY (MTY Food Group)
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