The Best of the Best Stocks for 2018 and Beyond

Description

Fellow Motley Fool contributor Joey Frenette gave his 10 top stocks for 2018. If I had to pick two stocks from the list to buy for 2018 and beyond — the top stocks of the top stocks, if you will — they would be **Alimentation Couche Tard Inc.** (TSX:ATD.B) and **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR).

Canada-based Couche Tard is a leading convenience store operator and road transportation fuel retailer with more than 15,200 stores, including ~62% in North America and ~18% in Europe.

Couche Tard also has ~8% of stores under **CrossAmerica Partners LP**, which was equity interest that originated from the CST Brands acquisition. Additionally, it has ~12% of international stores under the Circle K brand under licensing agreements in Mexico, Indonesia, Hong Kong, Vietnam, China, and other countries and regions.

Most importantly, Couche Tard has generated excellent returns over the long term. Since 2008, its return on equity has been 15% or better every year. Its five-year return on equity is 23%. This has translated into total returns of 310%, or annualized returns of nearly 33% for the stock with the help of some multiples expansions.

The stock may not seem cheap at about $66 per share and trading at a price-to-earnings multiple of ~19.6. However, it really isn’t expensive given that it’s expected to grow its earnings per share by roughly 17% per year for the next three to five years.

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) has more than 23,000 restaurants in over 100 countries and over $29 billion in system sales. Its iconic brands include Burger King, Tim Hortons, and Popeyes Louisiana Kitchen, which have all operated for more than four decades.

Burger King merged with Tim Hortons three years ago, and the combined companies operate under Restaurant Brands. Restaurant Brands only acquired Popeyes at the end of the first quarter of 2017. So, there's room to grow the franchises, as Tim Hortons is focused in Canada, and Popeyes is focused in the United States.

The dip in Restaurant Brands stock is a good opportunity to begin scaling into the stock. Currently, the company is reasonably priced. It trades at a price-to-earnings multiple of about 31, while it's expected to grow its earnings per share by 17-21% per year for the next three to five years.

Investor takeaway

I believe the stocks of Couche Tard and Restaurant Brands are both reasonably valued for their growth potential. They should deliver above-average growth through 2018 and beyond.

Their dividend-growth potential is strong. Couche Tard's and Restaurant Brands's three-year dividend-growth rates are about 39% and 37%, respectively. Going forward, the companies should be able to grow their dividends at double-digit rates, at least matching that of their earnings growth.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/23

Date Created
2017/12/29
Author
kayng