Canadians to Spend More on Dining Out This Year: What Stocks Will Benefit?

Description

The annual Food Price Report released by researchers at Dalhousie University and the University of Guelph showed that prices at restaurants are forecast to rise between 4% and 6% in 2018. Canadians are more likely to order food through delivery apps in 2018. The delivery apps DoorDash and SkipTheDishes serve over 70 markets and more than one million Canadians.

Swiss Chalet, a casual dining chain owned by **Cara Operations Ltd.** (TSX:CARA), has tweaked its menu to appeal to a broader demographic. Casual dining chains have reported troubling numbers among the millennial demographic. Millennials are more apt than their predecessors to cook or order delivery.

Millennials have flocked to delivery options and fast casual restaurants. **Freshii Inc.** (TSX:FRII), a fast casual restaurant with a focus on healthy eating, was founded by Matthew Corrin. Corrin, himself a millennial, started the company with the aim of appealing to his generation. Two-thirds of Freshii franchisees are millennials. Freshii stock made its TSX debut on January 31, 2016.

Freshii stock has declined 35% since its initial public offering. This was in large part due to adjustments the company was forced to make to its expansion forecasts. However, the company continues to demonstrate positive sales growth, and shares are up 1.3% so far in 2018. Cara Operations has dropped 1.8% to start the year.

Fast-food restaurants have also experienced steady growth in this changing environment. **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) is a Canadian multinational that owns and operates Burger King, Tim Hortons, and Popeyes fast-food chains. Its Burger King chains have seen particularly strong growth in recent quarters.

Tim Hortons has been embroiled in controversy after slashing employee benefits in response to the recent Ontario minimum wage hike. There was a significant backlash after the move was publicized, including on social media, where users attempted to organize a boycott.

QSR stock is down 1.18% in 2018 as of close on January 12. Shares are up 16.8% year over year. In its most recent third-quarter results, Restaurant Brands saw revenues increase to $1.208 billion from

$1.07 billion in the prior year. Burger King posted the most impressive system-wide sales growth — up 11.2%. Tim Hortons and Popeyes rose 3% and 4.5%, respectively. The stock also offered a quarterly dividend of $0.12 per share with a 1.3% dividend yield.

MTY Food Group Inc. (TSX:MTY) operates a number of quick-service restaurants, including Country Style, Extreme Pita, and several others. The stock has climbed 360% since making its debut on the TSX in June 2010. Shares have dropped 4.7% in 2018 thus far. Systems sales in the third quarter jumped 54%, and the company saw revenues increase 39% year over year to $73.6 million.

Just as with other industries, Canadian consumer trends are changing and evolving with technology. Investors should focus on stocks that are well positioned to benefit from these trends, like the fast casual Freshii establishments. They should also exercise caution with companies that have more exposure to casual dining, which appears to be in a steady decline.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:FRII (Freshii)
3. TSX:MTY (MTY Food Group)
4. TSX:QSR (Restaurant Brands International Inc.)
5. TSX:RECP (Recipe Unlimited)

PARTNER-FEEDS

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

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/07/01
Date Created
2018/01/15
Author
aocallaghan