Alimentation Couche-Tard Inc. vs. Restaurant Brands International Inc.: Which Is the Better Growth Play?

Description

When it comes to growth-oriented stocks, there's no shortage of options to pick from. Some are more aggressive than others, and some even offer a dividend to go along with that growth.

Two growth picks that are common are **Alimentation Couche-Tard Inc**. (TSX:ATD.B) and **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR).

Both companies have aggressive expansion platforms, impressive results, and are viable candidates to form a core part of any portfolio.

But is one a better investment over the other? Let's take look at the case for both.

The case for Restaurant Brands International

RBI offers investors a quarterly dividend, but the anemic 1.14% yield is hardly enough to push any would-be investors to consider investing. However, RBI's expansion policy has attracted significant attention.

When Tim Hortons and Burger King teamed up to form Restaurant Brands, they both brought their own expertise to the table. Burger King has an impressive master franchise joint-venture model in place that allows the company to expand into new markets quickly, which lets RBI move to the next market, while leaving much of the set-up to the master franchisee.

That growth model was applied to Tim Hortons, which, despite having a strong presence in Canada, had a scattered, if not minimal, presence internationally. In the years since adopting that master franchise model, Tim Hortons has opened locations in the Philippines and the U.K., with plans to open in other markets such as Mexico well underway.

Another shining opportunity for RBI has to do with the company's latest acquisition, Popeyes Louisiana Kitchen. Here's an interesting point that few people realize — chicken restaurants make up a small share of the global fast-food market, despite being something that could roll out to international markets easier than burger stores.

RBI's impressive international growth also serves as a hedge against a vocal segment of franchisees that are upset about changes to benefits and charges stemming from a minimum wage hike. That may weigh down sentiment around RBI in the short term, but over the long term, RBI is a great investment opportunity.

The case for Alimentation Couche-Tard

Couche-Tard is one of the largest convenience store and gas station operators in the world, with over

13,000 locations that span across three continents.

Just like RBI, Couche-Tard has a very impressive and aggressive stance on expansion. That strategy involves acquiring smaller competitors in the same or new markets and has led to Couche-Tard acquiring well over 40 well-known brands, which the company is in the process of rolling up into one global brand — Circle K.

That strategy has proven incredibly successful, which is one reason I called Couche-Tard a great growth stock for 2018.

Couche-Tard is also looking towards the future as an avenue for growth. The company is experimenting with adapting some locations in Asia to move beyond serving as just convenience stations and gas stations to become more of a destination. This would entail adding seating spaces, offering more food options for patrons to enjoy, and making the stores comfortable enough for customers to want to stay.

It’s intriguing, but would customers want to hang out at a service station? That’s unlikely today, but as the automotive market looks more towards electric vehicles that need longer to charge, a destination-oriented gas station could become more of a necessity than an amenity.

Which is the better investment?

Let me first state that there’s no reason to not invest in both companies, as they operate in different segments and are both excellent opportunities for long-term growth.

If you really had to choose one or the other for your portfolio, my vote would be to go for Couche-Tard. That’s not to say that RBI isn’t a great growth stock, but the current bad publicity around the minimum wage hike and the ongoing issues stemming from disgruntled franchisees could weigh down the stock over the short term.

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