This Earnings-Growth Rock Star Just Doubled its Dividend Overnight!

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) recently clocked in its fourth-quarter earnings results, which caused the stock to soar over 6% in a single trading session before surrendering most of the post-earnings gains in the trading sessions that followed. What's going on here?

Fellow Fool contributor Joseph Solitro summarized the results, recommending investors to scale in to a long-term position today.

It was a rock-solid quarter, without a doubt, but there were indeed areas that are in dire need of improvement. Most notably, the comps numbers at Tim Hortons were flat yet again, causing many investors to be concerned about the effects of the recent minimum wage debacle and its associated boycotts.

Adjusted diluted EPS was clocked in at US$0.66, up 50% year over year and crushing the consensus by $0.09. For fiscal 2017, total revenues and adjusted diluted EPS were up 10.4% and 32.9%, respectively, marking another solid year, which I believe is just a small sample of what's to come in the long term.

Although the reaction was positive, Restaurant Brands shares fell in the days that followed, likely due to growing concerns over meagre numbers from Tim Hortons. The negative sentiment is being exacerbated by the recent minimum wage story, which I believe is overblown and is unfairly being aimed at Tim Hortons, when the real culprit is Kathleen Wynne and her questionable math behind the aggressive minimum wage hikes in Ontario.

Burger King was the driver of Restaurant Brands stock, as fellow Fool contributor Will Ashworth pointed out. The numbers at Burger King stand out versus the other two chains, but I'm not convinced that the company is a one-trick pony.

The company will be leveraging technology to drive its same-store sales numbers. That means new and innovative ways to order, which, when combined with new menu items, may trigger a pop in comps for Tim Hortons at some point. Investors are going to need to be patient, however, as comps will remain flat until management focuses its efforts on Tim Hortons at the expense of Burger King and Popeyes.

Right now, it's clear that management is putting its foot to the pedal when it comes to the expansion of the Burger King and Popeyes chains. Burger King and Popeyes saw a 6.5% and 6.1% increase, respectively, in store count for fiscal 2017 compared to just a 2.9% increase for Tim Hortons. Does the recent negative press have anything to do with it?

Possibly. Perhaps management is waiting for the dust to settle over at Tim Hortons. Once the general public begins to forget about the recent issues, I suspect 3G Capital will up its game in the expansion category, but for now, most of the focus will be on comps-growth initiatives. If management can strike the right tone, it'll be easier to scale up and get the best bang for its buck.

Double-double that dividend!

The most shocking news was the fact that Restaurant Brands hiked its dividend by a whopping 114.3%, catching everybody off guard. The stock now yields 3.13% and is substantially higher than the yield of its major competitor **McDonald's Corporation**.

The dividend hike was generous, but clearly, not everybody was a fan, including Will Ashworth: "Call me cynical, but I see the company's doubling of the dividend as a form of bribery for shareholders who might have been considering jumping ship over the way it handled the minimum wage situation … That aside, I'm not sold that Restaurant Brands is anything but a one-trick pony."

I couldn't disagree more. I see the massive dividend raise as an incentive for long-term investors who exhibit patience. Soaring comps numbers at all brands aren't going to happen overnight, but if you're a long-term investor, you won't have to worry about quarter-to-quarter results; you can just collect that generous dividend, while management irons out the wrinkles in its newly acquired brands.

Restaurant Brands is an earnings-growth rock star with an accelerating cash flow stream and a massive dividend yield.

After paying back Warren Buffett, the company has more freedom to spoil its shareholders. Over the next decade, I think shareholders will be spoiled rotten. I see this dip as nothing more than a long-term buying opportunity, but you're going to need to have a long-term investment horizon, because finding the magic formula for a newly acquired brand will take time — possibly years. Just ask the management team over at **Yum! Brands, Inc.**

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Date
2025/07/19
Date Created
2018/02/15
Author
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