Why Starbucks Corporation Is the Only Restaurant Stock You Need to Own

Description

Starbucks Corporation (NYSE:SBUX) announced March 21 that it has reached 100% gender and racial pay equity across the United States — a move that will cost it in the short term but pay dividends for years to come.

"Roughly 10 years ago we began serious work to ensure women and men — of all ethnicities and races — are compensated fairly at Starbucks," said Lucy Helm, chief partner officer at Starbucks. "This accomplishment is the result of years of work and commitment."

Close to 70% of Starbucks's workforce is female, so a move like this is bound to have cost it in the pocketbook. In the U.S., women, on average, are paid 20% less than men; it's even worse in retail, where the gap widens to 30%. The American Association of University Women estimates it will take 101 years to close the gender pay gap in the U.S.

Here in Canada, the gap is thought to be slightly less with women earning, on average, 13% less than men. In Ontario, however, where **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) is headquartered and has a lot of its restaurants, the gap is much worse.

Depending on whose stats you read, it's as high as 30% in Ontario with the gap widening for immigrant women (39%) and even worse for indigenous women at 57%.

Starbucks says it will get Canada and every other market where it operates to gender pay equality as fast as it can. Do you think Restaurant Brands will make the same commitment? Not on your life.

As far as restaurant stocks are concerned, Starbucks runs laps around Tim Hortons's parent when it comes to treating its employees properly; I'd guess that is true for almost every publicly traded restaurant stock in North America.

If you care about the social footprint of the companies you invest in, there's no question Starbucks is the only restaurant stock you need to own.

It’s not just about the gender pay gap

If you’ve followed the Fool for a reasonable amount of time, you know that we like to talk about dividend stocks — a lot.

On February 18, Fool.ca contributor Joseph Solitro discussed the tremendously large dividend hike Restaurant Brands bestowed on shareholders as part of its fourth-quarter earnings release. Bumping the quarterly dividend from US$0.21 to US$0.45, the company’s stock now yields 3.2% from its US$1.80 annual payout.

Over at Starbucks, you’ll have to get by with a measly 2.1% yield.

Let’s talk about earnings.

Restaurant Brands made US$626 million in fiscal 2017 from US$4.6 billion in revenue, a net margin of 13.6%. Starbucks, whose 2017 year-end was October 1, earned $2.9 billion from $22.4 billion in revenue, a net margin of 13%.

The question I have for investors is two-fold:

1. Is the 110-basis-point advantage when it comes to the dividend yield worth it given the reputation the company has for mistreating employees and franchisees?

2. Should legislation be introduced in various parts of the world, including Canada, to force companies to come clean about the gender pay gap, as has happened in the U.K.; where do you think Restaurant Brands will sit on this issue?

Eventually, every corporation that doesn’t pay men and women equally is going to have to pay the piper.

Restaurant Brands added a woman to its board in 2016 after a large shareholder won a proxy campaign against the company to do so. Unfortunately, the woman in question was the daughter of one of 3G Capital’s owners — hardly an independent director.

Meanwhile, Starbucks has four women on its board with the appointment of Rosalind Brewer as its COO in September. It walks the talk.

There’s no comparison

Restaurant Brands might pay a big dividend, but it does so to line the pockets of its wealthy owners. Meanwhile, it fails terribly as a corporate citizen.

From where I sit, the risks of owning Starbucks are far less than Restaurant Brands.

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1. Editor's Choice

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