



## Where Investors in Restaurant Brands International Inc. Will Be Rewarded

### Description

In the most recent ranking of desirable brands (done by Leger), Tim Hortons fell from the fourth spot to 50th amid a large spat between the head office and franchise owners. To make matters worse, in Ontario the increase in minimum wage has seen a very publicized cutting of breaks and reduction of hours for minimum-wage employees.

The response from store owners has been very consistent: they're just trying to get by; the additional costs are not affordable to business owners.

In spite of Ontario restaurants delivering the thinnest margins of restaurants in all provinces, the volume remains the largest of any province. In the case of **Restaurant Brands International Inc.** ( [TSX:QSR](#))([NYSE:QSR](#)) however, the Ontario market will not help it. It is in this market that the challenges may be the biggest, since the company's foothold has been steadily challenged by many newcomers on top of consumer fatigue.

In spite of a generation growing up on Tim Hortons coffee, many younger consumers are now seeking a higher-quality cup of coffee, which is leading them away from the [Canadian icon](#). As we've seen in the past, fads are changing.

The saving grace for Tim Hortons may just be going south of the border, where there were numerous challenges years ago. On a recent trip to Buffalo this past weekend, I was surprised to see just how many consumers were walking the streets with coffee cups from Tim Hortons. To boot, the lack of cups with the **Starbucks** coffee logo on them was [noticeable](#).

At a price of \$71.50 per share and a dividend yield of 1.8%, investors could get in on the ground floor of a company about to grow in leaps and bounds. At a price-to-earnings multiple in excess of 26 times, there is a substantial amount of growth remaining for this company.

As expansion south of the border continues, and the company increases the U.S. footprint, Canadian investors will gain from not only the increase in sales, but also from the additional upside coming from the currency adjustment. Barring a major increase in the price per barrel of oil (and an increase in the Canadian dollar to follow), investors will benefit from the difference between currencies.

For 2017, the company increased cash flows from operations by almost 9%, as the amount of capital deployed increased substantially due to the acquisition of Popeyes Louisiana Chicken. With a stronger foothold across both the United States and Canada, Restaurant Brands is now in prime position to leverage one brand (Popeyes) by introducing Tim Hortons coffee shops in many of the same locations.

As many will remember, Wendy's and Tim Hortons did this years ago (and continue to enjoy the benefits of this relationship).

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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

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1. Investing

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