Does Restaurant Brands International Inc. Belong in Your Portfolio Today?

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) stock fell 1.36% on April 27 before the Toronto Stock Exchange closed due to technical difficulties. Shares of Restaurant Brands have dropped 10.5% in 2018 so far, and are down 9.7% year over year. The ongoing crisis with Tim Hortons' franchisees has continued into 2018, and the perception of the company among the Canadian public has been damaged.

Leger Research Group released its annual survey that displays the top 10 companies and/or brands in Canada. Tim Hortons came in at number 4 in 2017, and fell to number 50 in the 2018 survey. The survey was conducted in the midst of a controversial period in which Tim Hortons had responded to minimum wage hikes by slashing employee benefits.

The company released its first quarter results on April 24. Tim Hortons posted system-wide sales growth of 2.1% compared to 3.3% in Q1 2017. This was compared to double-digit growth at Burger King and Popeyes franchises. Tim Hortons net restaurant growth was reported at 2.8% compared to 6.9% and 6.7% at Burger King and Popeyes, respectively.

Daniel Schwartz, CEO of Restaurant Brands, has pledged to improve the Tim Hortons' experience in response to its performance in the first quarter of 2018. The "Winning Together" plan will aim to improve the customer experience at Tim Hortons and increase sales. Schwartz expressed frustration with media coverage that had negatively impacted the perception of Tim Hortons and the company at large. In addition, the company's new marketing campaign reiterated its $700 million commitment to renovating Tim Hortons' restaurants.

The Great White North Franchisee Association (GWNFA) declined to comment on the plan. Changes from management continue to be a sticking point, with the GWNFA contesting that the plan will hike costs for individual owners. An advisory board elected by franchise owners has reportedly lent its support to the "Winning Together" plan.

Tim Hortons managed to cast a shadow over what was generally a positive quarterly report. Restaurant Brands posted better year-over-year results boosted by advertising fund contributions and expenses. Total revenue climbed to $1.25 billion compared to $1.00 billion in Q1 2017, and adjusted net income increased to $313.3 million in comparison to $170.6 million in the prior year. The company also declared a quarterly dividend of $0.45 per share representing a 1.9% dividend yield.

Should you buy Restaurant Brands today?

The battle between Restaurant Brands and the GWNFA will likely continue into the latter half of 2018. Growth at Burger King was impressive, as was the case in 2017, but the jump at Popeyes was also encouraging. The fried chicken fast food chain underperformed in the previous year, so the strong start in 2018 puts added pressure on Tim Hortons, which was far and away the worst performer in Q1 2018.

Restaurant Brands has shed almost $20 of value from the all-time highs reached in the fall of 2017. This restaurant stock comes at an attractive value in the beginning of May and offers a solid dividend to boot.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Investing

Date
2025/08/27
Date Created
2018/04/30
Author
aocallaghan