



1 Alternative to Tim Hortons and Restaurant Brands International Inc. Stock

Description

Tim Hortons and its parent company **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)) have received a great deal of negative press as of late. Predominantly due to a [dispute with Tim Hortons franchisees](#) in Canada, Restaurant Brands has not only been a news item, but it has also seen its share price deteriorate nearly 13% year to date.

As U.S. franchisees also begin to wade into the disagreements with Restaurant Brands, investors may consider weighing their options and examining the offerings of the competition. **MTY Food Group Inc.** ([TSX:MTY](#)) is among Restaurant Brands's competitors, and it will be the stock that we investigate today.

What is MTY?

MTY Food Group, like Restaurant Brands, is a franchisor in the quick-service food industry with operations in both Canada and the United States. MTY franchises and operates under an impressive variety of banners, including instantly recognizable chains such as Mr. Sub, Jugo Juice, and Country Style.

The company continuously acquires new brands with notable additions in 2017 of Dagwoods Sandwiches and Salads and The Works Gourmet Burger Bistro, among others. So far in 2018, MTY has purchased the franchises and corporately owned locations of Timothy's World Coffee and Mmmuffins as well as the licence to operate and franchise coffee shops under the trade name Timothy's.

Valuation and dividends

Relative to Restaurant Brands, MTY offers tremendous value. At current prices, MTY trades at a price-to-earnings multiple of about 10.5, while Restaurant Brands trades at a price-to-earnings multiple of almost 18.6. Equally, MTY trades at a price-to-book ratio of roughly 3.1, while Restaurant Brands trades at a price-to-book ratio of nearly 6.5.

Income investors may, however, be inclined to favour Restaurant Brands for its 1.9% yield and [impressive track record of dividend increases](#).

Since March 2015, Restaurant Brands has increased its quarterly payout from a mere US\$0.09 to US\$0.45 cents as of the most recent distribution for a stunning 500% increase. In the same time period, MTY has only increased its distributions by 50% from \$0.10 per quarter to \$0.15 for a current yield of about 1.15%.

Conclusion

Investors who are anxious about the actions that Tim Hortons franchisees are taking against Restaurant Brands, or who are simply sick of the Tim Hortons-Burger King-Popeyes diet of coffee, burgers, and chicken, should consider MTY Food Group.

With an average analyst 12-month price target of \$53.88, MTY has potential upside of roughly 17%, while Restaurant Brands is projected to have upside of only about 6.5%. MTY offers a diverse and growing portfolio of brands and a compelling valuation, making it a great alternative.

CATEGORY

1. Investing

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