



This Discounted Stock Is the Perfect Way to Play on Millennials' Love of Protein

Description

Cara Operations Ltd. (TSX:CARA) is a dine-in restaurant operator that just doesn't get the respect that it deserves. The company has some delicious brands in its portfolio, including Swiss Chalet, Milestones, St-Hubert, East Side Mario's and The Keg, to name a few.

Shares have a cyclical discount

Unlike its fast-food counterparts, Cara is more cyclical and is a play on the overall health of the Canadian economy. Come the next recession, when consumer spending falls off a cliff, dine-in players like Cara stand to be hit with a larger magnitude decline since eating out at a restaurant is typically one of the first monthly expenses to receive the cut.

Unlike grabbing a burger from your local fast food joint, with many of Cara's restaurants, you'll need to sit down, be pressured into ordering an appetizer or other high-margin offerings like alcohol to go with your main course. Oh, and let's not forget about dessert! One can't leave a restaurant without filling up their dessert stomach, after all!

When all is said and done, you'll probably be looking at a hefty bill after gratuities are added, especially if you're dining at Cara's newly acquired 'The Keg,' where you'll surely pay up for the ambience.

It's a wonderful experience, however, and millennials are willing to loosen their purse strings since they value experiences over materialistic goods, but when it times are tough, fine dining is typically out of the question.

A great way to play the rise of the millennials

Canadians are heavily indebted and may want to consider limiting their fine dining habits; however, I find this is unlikely, especially since millennials, on average, eat out more than their baby boomer counterparts and moving forward, their spending habits are slated to have a greater influence on consumer spending trends.

Given that millennials also tend to value healthier options and have a huge affinity for protein according

to *Mad Money* host Jim Cramer, I believe fine dining plays like The Keg are slated to enjoy a nice tailwind over the next few years as the millennial generation approaches peak spending levels.

Millennials love eating out almost as much as they love protein. Whether they get their protein fix through steak from The Keg or chicken from Swiss Chalet or St-Hubert, Cara is a wonderful play on the rise of millennials.

Bottom line

In a [previous piece](#), I noted that investors are quite wary when it comes to highly cyclical plays. In the case of Cara, shares are quite cheap versus that of the industry average. Shares trade at a 16.5 forward P/E, a 2.6 P/B, a 2.2 P/S, and a 9.3 P/CF multiple, all of which are lower than the restaurant industry average multiples of 18.1, 4.0, 2.9, and 15.8, respectively.

At these levels, Cara looks like a [solid medium-term investment](#). Just make sure you understand the risks and the elevated magnitude of potential downside come the next economic downturn.

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Date

2025/07/22

Date Created

2018/05/09

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