Here's Why I'm Still Bullish on This Restaurant Stock

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) has become a tale of two companies recently.

The company is often hailed as possessing a stellar management that navigated the massive deal that brought together both Burger King, Tim Hortons, and a mountain of debt, becoming a compelling growth pick for investors everywhere.

More recently, Restaurant Brands — or, specifically, Tim Hortons — has been the subject of a fair amount of criticism, ranging from disgruntled franchisees to raging customers.

Restaurant Brands recently announced a plan dubbed "Winning Together," which is geared to improving profitability through enhancing everything from customer service and communications initiatives to renovating existing restaurants.

The initiative came about as a result of Tim Hortons's lower-than-expected contribution to the company's quarterly results.

Quarterly results

Restaurant Brands reported results for the first fiscal quarter of 2018 last month, and while the company still registered growth across all of its segments, the numbers from Tim Hortons were disappointing.

System-wide sales growth for Burger King and Popeyes registered growth of 11.3% and 10.9%, respectively, shattering their performance in the prior year, which was 6.2% and 6.1%. By way of comparison, Tim Hortons managed only 2.1% growth in the quarter, falling behind the 3.3% growth registered in the same quarter last year.

In terms of restaurant growth, Tim Hortons reported 2.8% net growth, again falling behind both Burger King and Popeyes, which registered a 6.9% and 6.7% net growth, respectively.

Total revenue for the quarter across all segments came in at US$1,253.8 million, with net income attributed to common shareholders reaching US$147.8 million, or US$0.59 per diluted share.

Is Restaurant Brands a good investment?

Despite the troubles that have plagued Tim Hortons in recent months, the company is still a great investment for both growth and income investors, which I can attribute to the following reasons:

First, the company is making money and continues to provide viable growth prospects. A prime example of this is the Tim Hortons brand, which, while saturated here at home, is a new and in-demand brand in foreign markets that the company is beginning to capitalize on.

Another worthy point to note is Restaurant Brands's dividend. The 3.16% yield is a compelling offer for income-seeking investors that is hard to refuse. Even better is the track record that Restaurant Brands has in hiking the dividend, which is, in a word, impressive. Over the course of the past two years, the payout has more than tripled.

The final point to consider has to do with the current sentiment around the company. While long-term prospects remain as strong as ever, the ongoing franchisee issues have led to a change in perception of the company, and, by extension, a drop in stock price. In other words, the current stock price of just over $72 represents an opportunity for potential investors to buy in at a discounted price.

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