



Should You Add These Restaurant Stocks to Your Portfolio in June?

Description

The Consumer Price Index (CPI) rose 2.2% year over year in April 2018 compared to the 2.3% increase in March. [Prices at restaurants](#) soared in the months of January and February with new minimum wage laws sparking a response from businesses. Grocery retailers have seen prices stagnate over the same period due to intensifying competition, which has prevented any [significant price hikes](#).

Are restaurant stocks a good bet for investors as summer approaches? Let's take a look at three top restaurant stocks today.

MTY Food Group Inc. ([TSX:MTY](#))

MTY Food Group is a Quebec-based franchisor that operates under brands like Country Style, Big Smoke Burger, Cultures, and others. Shares of MTY have dropped 12.6% in 2018 as of close on May 28, but the stock has climbed 4.7% month over month. The company released its first-quarter results on April 9.

System sales in the first quarter increased 4% to \$542.5 million with \$48.5 million in growth coming from acquisitions. Same-store sales grew 0.7%, and EBITDA surged 22% to \$19.9 million. Net income soared to \$45.3 million over \$2 million in Q1 2017 largely due to a one-time adjustment in the prospective income tax rate in the United States used to calculate deferred income taxes.

The company last announced a dividend of \$0.15 per share, representing a 1% dividend yield.

Premium Brands Holding Corp. ([TSX:PBH](#))

Premium Brands is a Richmond-based company engaged in specialty food manufacturing, distribution, and wholesale businesses with operations across Canada and in the United States. Its stock has climbed 13% in 2018 so far. Premium Brands released its first-quarter results on May 15.

The company saw revenue rise 22.3% year over year to a record \$584.9 million with the organic volume growth rate coming in at 9.4%. It also posted a record adjusted EBITDA of \$43.1 million, which

represented a 12.2% increase from the prior year. Premium Brands posted adjusted earnings of \$0.50 compared to \$0.53 in Q1 2017, and it reaffirmed its sales guidance of \$330 million for 2018.

The stock also offers a dividend of \$0.475 per share, thereby representing a 1% dividend yield.

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#))

Restaurant Brands International is the franchisor which owns the Tim Hortons, Burger King, and Popeyes brands. RBI stock is down 3% in 2018 so far, but shares have climbed 8.3% month over month. An internal battle between Tim Hortons franchisees and management has been a sore spot for RBI.

In the first quarter, RBI posted total revenues of \$1.25 billion over \$1.07 billion in the prior year. Adjusted EBITDA fell to \$497.8 million from \$506.3 million in Q1 2017. Burger King and Popeyes recorded double-digit system-wide sales growth, while Tim Hortons lagged behind at 2.1%. RBI promoted its "Winning Together" initiative, which aims to improve customer experience and drive sales going forward.

RBI also offers a quarterly dividend of \$0.45 per share, representing a 2.2% dividend yield.

Are these stocks worth a look in June?

For me, the top two targets in this group remain Premium Brands and RBI. The latter offers the most attractive dividend, and system-wide sales have been encouraging in two of its top three brands.

CATEGORY

1. Investing

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1. Editor's Choice

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1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:MTY (MTY Food Group)
3. TSX:PBH (Premium Brands Holdings Corporation)
4. TSX:QSR (Restaurant Brands International Inc.)

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