



Will All-Day Breakfast Save Tim Hortons?

Description

Tim Hortons has been struggling to achieve much sales growth recently, and it's looking to test out all-day breakfast in an effort to bring in more traffic and strengthen its revenues. The fast-food giant, which is owned by **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)), has faced a lot of scrutiny in the past year, and polls are showing that it's just not the same [brand](#) that it was prior to being acquired by the same company that owns Burger King.

There have been issues with franchisees, and the company has struggled to stay out of the spotlight for all the wrong reasons. Hopefully for investors, all-day breakfast will be able to put the focus back on what Tim Hortons has been able to do well: its food.

Pilot locations to test popularity

Tim Hortons president Alex Macedo is confident that the all-day breakfast option will be a big win with consumers: "Any time we bring up the idea of breakfast at any time, the response is very favourable and very strong." However, before being rolled out on a wide scale, the company is going to test how well sales do at a small number of locations in Ontario.

The company is also going to be testing out other items, including a kids' menu, a loyalty program, and home delivery. The restaurant is trying to see what sticks and what it can do to improve its struggling financial performance.

Poor sales in Q1 highlight the need for some changes

Although Restaurant Brands did well in its [most recent quarter](#), Tim Hortons saw its comparable sales struggle, as it showed negative growth of 0.3% in Q1, and in the prior year it was also down 0.1%. Clearly, the popular fast-food chain will have to do something to give its sales a boost; otherwise, we could see more drastic changes come its way.

Is all-day breakfast a fad?

One company that has experience with all-day breakfast is **McDonald's Corporation** ([NYSE:MCD](#)),

which started serving breakfast at all hours of the day back in 2015. And although it did initially give the company a boost, reports suggest that the effect has worn off and growth has slowed down. In its most recent quarter, McDonald's achieved same-store sales growth of less than 3% at its U.S. locations.

Ultimately, even if Tim Hortons does adopt all-day breakfast, there's a danger that the results will be limited and benefit only the short term. However, in the bigger picture, the company needs something positive to build around in light of all the negative press it has received lately.

Should you consider investing in Restaurant Brands?

Year to date, the stock is up just 2%, and over the past 12 months it has declined by that amount. In addition to poor returns, the stock is also an expensive buy and is trading at 27 times its earnings and more than seven times its book value. Those are high multiples to be paying for the company given the struggles the Tim Hortons brand faces today.

CATEGORY

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