



Should You Buy Restaurant Brands International Inc. (TSX:QSR) Stock or MTY Food Group Inc. (TSX:MTY)?

Description

Earlier this year, I'd discussed the [prospects for restaurant stocks](#) in the midst of rising inflation. Higher CPI and the minimum wage hikes across Canada had upped prices in restaurants by 5% or more at the beginning of the year. Retail grocers have been forced to keep prices relatively static in comparison to compete in spite of higher inflation.

Reports in late 2017 showed that Canadians would [spend more on dining out](#) in 2018. Young consumers have driven this trend in many parts through the use of home food delivery applications like Uber Eats and SkipTheDishes.

Statistics Canada released the Consumer Price Index (CPI) for the month of June last week. The CPI rose 2.5% year over year in June, which represented the largest year-over-year increase in CPI since February 2012. Gasoline prices led the way, rising 24.6% year over year. Restaurant prices were one of the largest increases at 4.8% growth in CPI from the prior year.

Today, we are going to take a look at two restaurant stocks that have both demonstrated impressive momentum since the middle of spring. Which stock should investors bet on in the latter months of 2018?

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

RBI stock has climbed 19.2% over a three-month period as of early afternoon trading on July 26. The stock is up 8.7% in 2018 so far. The company is set to release its second-quarter results on August 1.

RBI has been locked in a battle with its Tim Hortons franchisees for over a year now. The spat escalated in 2017 and started to gain mainstream attention with the formation of the Great White North Franchisee Association, which sought to push the interest of Canadian Tim Hortons franchisees against the parent company. Tim Hortons's poor results in recent quarters have not helped the relationship. RBI unveiled its "Winning Together" plan in the first quarter, which will invest in store renovation and aim to boost profitability going forward.

RBI stock offers a quarterly dividend of \$0.45 per share, representing a 2% dividend yield.

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

MTY Food stock has also climbed 19.2% over the past three months. Shares are still down 1.4% in 2018 so far. The franchisor released its second-quarter results on July 11.

MTY Food reported a record high EBITDA of \$35.5 million in the second quarter. The company has posted \$14.5 million in growth year to date \$3.4 million, of which was achieved organically. Net income also rose 13% in the second quarter to \$18 million, or \$0.72 per share. Same-store sales rose 1.8% in Canada but fell 1.6% in the United States, which the company attributed to cooler weather in March and April.

MTY Food owns and operates quick-serve chains, which have grown in popularity among younger demographics in comparison to the decline of casual in-house dining. The stock offers a modest quarterly dividend of \$0.15 per share, which represents a 0.9% dividend yield.

Which should you buy today?

RBI has worked to address challenges at Tim Hortons with its ambitious investment plan, which was unveiled last quarter. Results have improved at Popeyes, and Burger King's performance has been consistently excellent. I like RBI to overcome its issues at Tim Hortons over the next year. Investors should monitor its next round of results — in particular the performance at the beleaguered fast-food chain.

CATEGORY

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