Should You Buy This Growth Stock Now or After Earnings?

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) will be reporting its second-quarter results during market trading hours on Wednesday.

While it's hard to say if the global quick-service restaurant company will report positively or not and which way the stock will go thereafter, it's important to note that the company's distribution expansion plans in Canada and its Tim Hortons launch in China should help contribute to the growth of the company going forward.

Restaurant Brands is improving its distribution network in Canada

Restaurant Brands, the owner of Tim Hortons, Burger King, and Popeyes Louisiana Kitchen, has a multi-year plan to invest about $100 million to expand its distribution network in Canada.

The investment includes building new warehouse facilities in Alberta and British Columbia as well as expanding its existing warehouse in Nova Scotia. It will not only improve the efficiency of its Canadian distribution network, but it will also create roughly 150 new jobs to help boost the Canadian economy.

Tim Hortons restaurant
Photo: Luis. Licence: https://creativecommons.org/licenses/by-sa/3.0

Restaurant Brands is bringing Tim Hortons to China

Earlier this month, Restaurant Brands announced that it has entered an exclusive master franchise joint venture agreement with Cartesian Capital Group to develop and open +1,500 Tim Hortons locations throughout China over the next decade.

The benefit of partnering with Cartesian is that it has 20 years of experience building businesses in China and around the world and knows the Chinese culture and the tastes of the locals there.

Statista projects that coffee consumption in China is going to grow at a faster pace than tea consumption. Moreover, Tim Hortons has seen Canada's Chinese community embrace the brand. For example, Chinese students who have developed their affinity for Tim Hortons coffee and return to China to develop their careers will likely continue frequenting Tim Hortons. So, there should be lots of growth runway for Tim Hortons in the country.

Experts believe that Tim Hortons will fill the coffee niche in China with a price range that's more expensive than **McDonald's** but cheaper than **Starbucks**. So, Tim Hortons wouldn't necessarily be a direct competitor for coffee seekers in China.

Valuation and dividend

At the recent quotation of $83.33 per share, Restaurant Brands stock trades at a blended multiple of about 26.4, which is a reasonable value for a company that's estimated to grow its earnings per share by about 15% per year for the next three to five years. On a forward basis, the stock looks even cheaper.

Furthermore, Restaurant Brands offers a safe dividend yield of 2.8% that's well covered by free cash flow.

Investor takeaway

Long-term investors can consider averaging in now. Cautious investors can consider reviewing the second-quarter results that will be released on Wednesday before deciding if they want to invest in Restaurant Brands for growth and safe dividend income.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/09/11
Date Created
2018/07/30
Author
kayng