



A Severely Undervalued TFSA-Worthy Dividend Growth King That Could Skyrocket Into the Stratosphere in 2019

Description

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) stands out as a stock that's so underpriced that it's quite absurd.

The 3.3%-yielding fast-food juggernaut is capable of posting sustained high double-digit top-line growth numbers alongside consistent annual dividend hikes. Although management probably won't serve up another whopper, [double-double dividend increase](#) as it did around a year ago, investors should still expect their patience to be generously rewarded, as 3G Capital balances business reinvestment with paying back its shareholders.

For those unfamiliar with Restaurant Brands' business, the company has a unique, capital-light franchisee-franchisor model that allows enough financial flexibility for management to put its foot on the gas in both same-store sales growth (SSSG) driving investment initiatives as well as low-risk expansion of its brands into untapped markets through master joint venture partnerships in select markets of interest.

With an incredibly [high growth ceiling](#) (Popeye's Louisiana Kitchen and Tim Hortons are just getting started with their international expansions), and the invaluable expertise of the managers behind Burger King's successful global expansion, you'd think the stock would command a hefty growth premium. At just 14 times next year's expected earnings, QSR stock trades more like a no-growth stalwart, which I think is a huge stock pricing mistake made by Mr. Market.

Defensive characteristics, a high growth ceiling, top-notch stewardship, a low-risk business model, a shareholder-friendly management team, and an absurdly cheap valuation is what you're getting with Restaurant Brands. It's my largest Canadian holding. I plan to bolster my stake further over the next few months should shares continue to retreat with the broader market.

Of all the TSX-traded names out there, QSR, I believe, has the widest margin of safety, so I'd encourage value-conscious growth investors to back up the truck for excess risk-adjusted returns that very few other securities, I believe, can match throughout the next decade and beyond.

What about that exorbitant debt on the balance sheet?

The company's debt may be on the high side, with its 5.4 debt-to-equity ratio and 9.6 in financial leverage. When you factor in the extremely predictable nature of the company's cash flow streams in both strong and weak economies, however, it's clear that the company's seemingly less-than-stellar financial health metrics aren't as horrid as they seem.

Add the fact that cash flows are accelerating rapidly as management moves forth with its ambitious international expansion across its various chains, and I have absolutely no concerns about Restaurant Brands' above-average debt levels.

Foolish takeaway on Restaurant Brands

With debt concerns likely exaggerated and the sheer low-risk growth potential at the international level, investors shouldn't hesitate to make Restaurant Brands a core holding in their [TFSA retirement portfolios](#).

I believe shares are unsustainably undervalued at \$70 and change, so whether you're looking for a big dividend, long-term growth potential, or a favourable near-term risk/reward trade-off, Restaurant Brands is a name that's tough to beat.

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