Why Your Portfolio Needs This Superb Growth Driver Now

Description

There are plenty of companies on the market that had a dismal 2018, but one company that got more than a fair share of criticism last year was **Restaurant Brands International** (TSX:QSR)(NYSE:QSR).

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In particular, Tim Hortons had a less-than-stellar year, with growth that lagged behind both of its Restaurant Brands peers, Burger King and Popeyes Louisiana Kitchen. Same-store growth at Tim Hortons in the most recent quarter came in at an anemic 0.6%, which was, incredibly, an improvement over the two prior quarters. Overall sales numbers for Tim Hortons revealed an increase in sales of 2.8% in the most recent quarter, but this is misleadingly higher due to the numbers from new stores being included in the total.

It's not that I'm trying to be negative on Restaurant Brands; I actually believe that the company is a gem of an investment. Here's why you should take a fresh look at Restaurant Brands for your portfolio.

The tale of two companies: Expansion and saturation

The dismal numbers we saw from Tim Hortons only provide us with half of the picture. Within Canada, Tim Hortons is everywhere; I once had a whopping seven locations all within a one-kilometre radius of my home. This level of saturation not only weighs down same-store sales numbers but also contributes to brand fatigue within the domestic market. Granted, much of last year was spent fighting off the rising tide of disgruntled franchisees, but the fact remains that Tim Hortons's brand reputation dropped considerably last year.

Now, instead of the domestic market, let's take a moment to talk about the international one. One of the weaker elements of Tim Hortons in the past was the lack of a true network of stores outside Canada. While there were the occasional niche locations in the U.A.E and Ireland as well as a sprinkling of locations near the U.S. border, Tim Hortons was unable able to crack into any one market fully.

That view has changed in recent years, as Tim Hortons has followed the successful franchise model that made Burger King an international success to open stores in Spain, the U.K., the Philippines, and

Mexico. Now, the company is looking at the biggest prize: China.

Specifically, Tim Hortons is targeting to open 1,500 locations in China over the course of the next decade, with the first locations set to begin construction soon.

China is a massive and potentially lucrative market to penetrate, and Tim Hortons will have competition from several well-established U.S.-based coffee shops that already have a presence in the market. The company also noted that the menu for locations in China will be tweaked to reflect the unique and local tastes of that market, such as including products that have matcha, and menu items that focus on the Asian porridge known as congee in lieu of baked goods and doughnuts that are popular here.

Also worth noting is that the Popeyes brand is also undergoing its own expansion effort, both in Canada and internationally. By way of example, just last month Popeyes opened its first locations in B.C. in Metro Vancouver as well as Kamloops.

Why should you buy?

The growth potential that both Tim Hortons and Popeyes have in moving to new markets is just the first of several reasons that investors should consider the stock. Beyond that, there's also Restaurant Brands's increasingly attractive dividend, which has been subject to several handsome increases over the years and currently fetches an attractive 3.25% yield.

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Finally, there's the market itself. Fast-food restaurants such as the ones under the umbrella of Restuarant Brands are known to thrive during down periods of the economy, and the recent volatility in the market could provide the boost that Restaurant Brands investors are craving over the next few quarters. Throw in the fact that Restuarant Brands is trading at low levels, and you have an incredible long-term investment that can provide growth and dividend income for years to come.

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