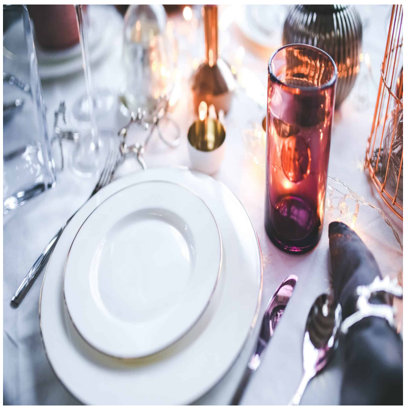

# 1 Reason to Target Restaurant Stocks This Year

### Description

In September 2018, I'd discussed whether rising prices at grocery stores was a good reason for investors to bet on food retailers going forward. The 2019 Canada Food Price Report, a joint effort by the University of Guelph and Dalhousie University, projected that food prices would rise between 1.5% and 3.5% in 2019. Vegetables led the way with an inflation rate forecast between 4% and 6%, but the second-highest rate is of interest to us today.



Prices at restaurants were forecast to rise between 2% and 4% this year. The food service industry was responsible for over 50% of all food expenditure increases in 2018. Although dining out is becoming more expensive, Canadians have shown no willingness to cut back on this indulgence. In December, restaurant bills increased 3.8% with annual inflation increasing 2% overall in the final month of 2018.

This trend has the potential to improve margins at restaurants in 2019, but the industry is also facing the worrying prospect of a slowing economy. Rising interest rates are putting the squeeze on consumers, so dining out may become a more difficult proposition for Canadians as we look ahead.

Today, we are going to take a quick look at two restaurant stocks that have started off well in 2019. Is it worth stashing them for the year? Let's dive in.

## Restaurant Brands International (TSX:QSR)(NYSE:QSR)

RBI owns the popular restaurant chains Burger King, Tim Hortons, and Popeyes Louisiana Chicken. Shares have increased 6.8% in 2019 as of close on January 18. The stock is still down 1% year over year. Back in late November, I'd recommended that investors stay on the sidelines rather than jump into RBI stock.

Like many of its peers on the TSX, RBI stock has started hot in 2019. The stock last boasted an RSI of 61, which is just outside overbought territory in late January.

RBI is expected to release its fourth-quarter and full-year results for fiscal 2018 in early February. In the third quarter, the company reported promising progress driven by its “Winning Together” plan. The stock offers a solid quarterly dividend of $0.45 per share, which represents a 3.1% yield.

## Recipe Unlimited (TSX:RECP)

Recipe Unlimited runs a bundle of restaurants, including Harvey’s, The Keg, Milestones, and many others. Shares have climbed 5.9% in 2019 so far. The stock is up 10% year over year.

The company, formerly known as Cara Operations, has been powered by acquisitions in recent years. Last year, it completed the acquisition of The Keg for $200 million. In the third quarter, Recipe Unlimited reported a 28.5% increase in system sales, while same-restaurant sales climbed 1.8% year over year.

Recipe Unlimited had an RSI of 60 as of close on January 18, indicating that the stock is pricey in late January. It also boasts a modest dividend of $0.1068 per share, representing a 1.5% yield. Recipe Unlimited is heavily weighted in casual dining restaurants, which are also facing challenges with younger demographics leaning more towards quick-serve establishments.

**CATEGORY**

1. Investing



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1. Editor's Choice

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1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)
3. TSX:RECP (Recipe Unlimited)

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