Restaurant Brands International Inc. (TSX:QSR) Beats Q4 Expectations: Is the Stock a Buy?

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) released its fourth-quarter earnings on Monday, which came in a bit better than expected. Adjusted per-share earnings of $0.68 came in slightly above the $0.67 that analysts were projecting for the quarter.

Let's take a closer look at the results to assess whether or not things have improved for Restaurant Brands and whether it is a good buy today.

Sales growth

The big challenge for the company has always been in achieving strong growth among all of its restaurants. Here's how it did in terms of system-wide growth, which includes all restaurant sales:

Chain	2018	2017	Change
Tim Hortons	2.4%	2.4%	–
Burger King	8.4%	12.3%	(3.9%)
Popeyes	6.3%	6.8%	(0.5%)
Consolidated	**6.8%**	**9.3%**	**(2.5%)**

Surprisingly, Tim Hortons, which has struggled the most in terms of growth, actually didn't see its overall sales numbers drop this quarter. Instead, it was Burger King that saw the biggest decline overall, with Popeyes showing a minor drop. For the full year, the company's total system-wide growth came in at 7.4%, which was still below last year's tally of 7.9%. However, in a saturated industry, it's going to be a continuous challenge to grow, especially at an increasing rate.

What's of key importance is same-store sales growth, since that takes out the impact of new store sales and allows us to focus on just those that were operating a year ago. Here's a look at how those growth numbers looked for this past quarter:

Chain	2018	2017	Change
Tim Hortons	1.9%	0.1%	+1.8%
Burger King	1.7%	4.6%	(-2.9%)
Popeyes	0.1%	(-1.3%)	+1.4%

The good news for Restaurant Brands is that Tim Hortons saw the biggest improvement this quarter and achieved nearly 2% same-store sales growth, which is much better than what we saw last quarter. Burger King, surprisingly, saw its growth fall to just 1.7%, while Popeyes squeaked out a 0.1% improvement.

Overall look at the financials

Compared to 2017's results using the same accounting standards that were in place then, overall revenues for the quarter were down by 2%. However, the company was able to reduce its overall operating expenses by 8%, leading to an overall improvement in its operating income. And if not for a tax benefit in 2017, this year's bottom line would have come in higher.

Do these results make Restaurant Brands a buy?

The earnings results released by Restaurant Brands are definitely positive, especially given that the efforts put behind Tim Hortons have already produced some good results. And it's always good to see when operating expenses come down. However, it's hard to get excited with same-store growth numbers that are less than 2%.

Given the relatively high multiples to book value and earnings that Restaurant Brands stock trades at, these results don't justify a big bump up in price for me. There's not a lot of room for error for Restaurant Brands here, and unless it can rebuild the struggling Tim Hortons image, specifically in Canada, then it would difficult to see it as a good investment today.

The stock has been up 17% in the past year, and it's now near its 52-week high. While I don't see much more in the way of capital appreciation in its future, it could be a good option for dividend investors.

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