Is Restaurant Brands International (TSX:QSR) a Buy?

Description

One of the things I love the most about **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) is how the company continues to defy its most vocal critics and come out with solutions that not only address issues but also provide a path towards long-term growth.

Another strong quarter?

A prime example of this is the company's most recent quarterly update, which was announced last week. Restaurant Brands realized a bump in system-wide sales growth of 7.4%, while net restaurant growth hit 5.5%.

Perhaps one of the most important figures in assessing the results is same-store growth, which eliminates the noise associated with new locations and instead allows us to focus on the performance of the more established locations and determine if programs instituted over the past year to boost those numbers are having an impact.

This is particularly important for the Tim Hortons segment, which experienced weaker-than-expected results last year following a slew of customer and franchisee issues. In response, Restaurant Brands announced a series of improvement initiatives over the past year to address many of those concerns, dubbed "Winning together."

In the most recent quarter, Tim Hortons's same-store growth hit 1.9%, handily beating the paltry 0.1% growth noted in the same quarter last year. Popeyes also realized strong growth, showing a 1.4% improvement. While Burger King managed to see same-store growth of 1.7% in the quarter, this was an overall reduction from the incredible 4.6% growth realized in the same quarter last year.

Overall, the company finished the quarter with revenues slightly down over the same period last year, but it still managed to turn a larger profit than expected. Worth noting is that drop in revenue was largely attributed to a new accounting standard and one-time tax changes, which was in turn offset by an impressive reduction in overall expenses.

A loyalty program for Tim Hortons?

Over the past few years, customer loyalty programs have taken off across nearly every conceivable segment of the market as a unique way to build brand loyalty and bring back repeat customers. Tim Hortons is now planning to enter that market.

If executed correctly, a new loyalty program could see improvements to Tim Hortons brand image the domestic market, which took a plunge following a series of issues over the past year. In terms of the market, Tim Hortons already serves eight out of 10 cups of coffee in the country, and a recent market study ranked the brand as the sixth most influential in Canada.

Should you buy?

I've been a big fan of Restaurant Brands for several years, and my admiration for the stock stems from three unique points that every investor should take into consideration:

First, Restaurant Brands's management team has done an excellent job in slashing its expenses over the years. When the company was formed through the merger of Burger King and Tim Hortons, many critics noted the billions in debt and two completely different operating models and locales as reasons why synergies would be difficult to come by. Management proved those critics wrong, and the company continues to find methods of reducing costs to this day.

Second, let's talk dividends. Restaurant Brands has raised its dividend an incredible 12 times over the past four years, and there is likely to be an increase to the dividend this year. The current yield provides a respectable 3.15%, which should appeal to income-seeking investors.

Finally, there are the company's growth prospects. All three of the company's brands have witnessed strong growth by expanding into new markets. By way of example, Tim Hortons, which has historically had trouble gaining a foothold on the international front, now has established locations in several countries such as Spain, the U.K., Mexico, and the Philippines. The same could be said of Popeyes, which is undergoing its own international growth spurt.

In my opinion, Restaurant Brands remains an excellent long-term holding for investors looking for a solid income-producing investment, but those investors looking primarily for long-term growth should note that while there is still plenty of growth opportunities for Restaurant Brands, the company is priced near its 52-week high.

CATEGORY

1. 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. Investing

Tags

1. Editor's Choice

Date
2025/07/26
Date Created
2019/02/18
Author
dafxentiou