Should You Buy Restaurant Brands International (TSX:QSR)?

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a relatively young corporation. The company was formed in 2014 when the well-known American fast-food chain Burger King merged with the Canadian restaurant chain Tim Hortons. The firm expanded further with the 2017 acquisition of Popeyes Louisiana Kitchen.

RBI has thus far rewarded investors who put their faith in the company; since its IPO, RBI's shares have offered investors a compound annual growth rate of more than 20%. Is RBI currently a buy?

Competitive advantage

The food and beverage industry is a difficult one to conquer. Competition is fierce, products are generally easily replicable, and restaurants typically aren't particularly capital intensive. One of the major ways to build a competitive advantage for restaurants, then, is to rely on brand recognition and customer loyalty.

Fortunately, the firms under RBI all benefit from strong brand recognition, giving the company an immediate advantage over competitors. Burger King is hugely popular in both the U.S. and Canada — landing in the top 10 fast-food chains in both countries by revenue — while Popeyes and Tim Hortons are also among the top in the U.S. and Canada, respectively.

More importantly, though, RBI's business model is scalable. With the acquisition of Popeyes, the firm became one of the three largest in its industry. Given RBI's worldwide name recognition and strong cash flows, the company could continue acquiring more restaurants to add to its portfolio.

What does this mean for investors? RBI's has built a strong foundation around the firms already in its portfolio; that's what has spearheaded the company's growth so far. With an already solidly established base, RBI could, in the future, focus on even more acquisitions, which could be beneficial to the company's bottom line and, by extension, to investors.

Focus on technology

Technology is revolutionizing the food and beverage industry before our eyes. Standard companies face fierce competition from mobile apps such as UberEats and GrubHub. To meet this competition — and subsequently appeal to a younger demographic — RBI has made a focus on technology an important aspect of its operations.

Burger King has been a great example of the company's dedication to modernization. Burger King recently ran a campaign dubbed "Whopper Detour" to promote its app and increase users download. The campaign offered 99 cent Whoppers (one of Burger King's most famous items) to customers who were near a McDonald's location. Upon downloading the app, users would be redirected to the nearest Burger King. The Burger King app raced to the top of downloads on **Apple's** App Store for several days in a row.

While RBI's CEO admitted the firm was playing "catch up" on technology, initiatives such as home deliveries and kiosks have been implemented in stores throughout North America as well as abroad — a good sign for the future of the firm.

What's next for RBI?

RBI's posted relatively strong financial results across the board lately. Sales and revenues grew for all three restaurants brands in 2018 compared to 2017. The company's net income improved by 26.4% while earnings per share grew by 27.6%. RBI is dedicated to returning capital to investors by way of growing dividends. The company's dividend payout has increased by more than 450% since 2015.

As RBI continues to grow globally and implement technological innovations to keep existing customers and attract new ones, sales and earnings should continue growing. RBI certainly looks like an enticing prospect for investors.

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