Buy or Sell: Restaurant Brands International (TSX:QSR)

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) has amassed an army of fans and critics over the years, drawing vastly differing opinions on whether the name behind the Burger King, Tim Hortons, and Popeyes Louisiana Kitchen franchises should be part of your portfolio.

Let's examine the company and determine whether Restaurant Brands belongs in your portfolio, and if so, why?

The appeal of the fast-food model

Fast-food companies make astonishingly good investments for a variety of reasons, and the culmination of three very popular and growing brands under a single Restaurant Brands banner presents itself with a unique opportunity that few, if any, competitors can match.

First and foremost, there's the constant appeal of the quick-service-type establishments. Quite simply, they are everywhere, inexpensive, and popular, irrespective of the current state of the market.

From a growth standpoint, Restaurant Brands has taken the successful master franchise model that has worked so well for Burger King and applied to Tim Hortons and, more recently, Popeyes, helping both brands to branch out into new markets over the past two years. This is an important point to note as both Tim Hortons and Popeyes have had limited success at expanding to international markets in the past.

Last month, that storied expansion saw Tom Hortons open its first store in Shanghai, China. That's the first store of 1,500 locations across China planned to open over the next decade. That expansion is impressive, but there's another aspect that Restaurant Brands has provided, which can best be described as local flair. The company provides slight tweaks to its menu in other countries, making it more appealing to local tastes. In China, that means adding a salted egg yolk Timbit. In Spain, Tim Hortons offered dulce-de-leche donuts with freshly pressed orange juice.

The model must be working, because Restaurant Brands continues to expand and post strong results.

Results, concerns, dividends

In the most recent quarter, Restaurant Brands reported system-wide sales of US$8,188 million, reflecting an increase of US$253 million over the same period last year. Over the course of the full fiscal year, Restaurant brands saw system-wide sales growth of 7.4%, while adjusted EBITDA came in at US$2,212 million, reflecting a solid 4.1% increase over the prior year.

One of the often-touted concerns by skeptics of Restaurant Brands stems from the shaky disagreements between the company and Tim Hortons franchise owners that emerged over the past year. Those disagreements, which were, on occasion, very vocal, arguably led to the brand falling out of favour with some customers.

To counter that, Restaurant Brands announced an initiative last year known as “Winning Together” that was going to focus on the overall restaurant experience through renovations, better use of technology, as well as enhancing communications. The most recent quarterly updates reflect strong growth that could be traced back to that initiative.

Finally, let’s take a moment to talk about dividends. Restaurant Brands currently offers investors a respectable quarterly payout that provides a yield of 3.13%. While this doesn’t make the company the most impressive dividend investment on the market, it is worth noting that since Restaurant Brands was established just over four years ago, the dividend has been hiked over a dozen times.

Should you buy or sell?

Restaurant Brands is a unique investment worthy of consideration. Strong results, a growing dividend, and an appetite to expand internationally make the stock a great pick for any long-term investor looking for both growth and income. If for no other reason, the more than one-dozen dividend hikes and over 100% increase in price since the stock was listed just a few years ago should speak to the full potential of Restaurant Brands.

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Date
2025/07/26
Date Created
2019/03/27
Author
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