



1 Solid Dividend Stock With Great Growth Potential for Your TFSA

Description

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)), with over \$32 billion in system-wide sales, competes effectively in the intensely competitive quick-service segment of the restaurant industry. The company operates three leading brands: Tim Hortons, Burger King, and Popeyes, with a presence in more than 100 countries. Sales performance has been positive, as system-wide sales grew by about 6% in 2018, following around 8% growth in 2017. The increases were mainly driven by restaurant unit expansion and some same-store sales gains at Burger King and Popeyes.

More growth is on the way

Management rolled out an ambitious growth plan at its recent investor day meeting in New York City. The company plans to significantly increase its global footprint by growing to more than 40,000 restaurants from about 26,000 restaurants over the next eight to 10 years. The expansion will certainly drive sales and profits. The news was greeted with enthusiasm by investors, lifting the company's stock to a new high of \$91.55 before closing at \$89.67.

Its franchise business model makes it all possible

The new store expansion will be driven by Restaurant Brands's network of master franchise partners and franchisees who have committed to opening a certain number of units per year. The company's franchise business model, rather than a company-owned store model, allows it to pursue aggressive unit growth with minimal capital investment. This is because the franchisees pay the bill for the new restaurant construction.

Success for Tim Hortons in China is key

For many years, the Tim Hortons brand has struggled to expand outside Canada in a meaningful way. In fact, most of its U.S. stores are located near the Canadian border.

Management is betting that expanding in China will change all of that. The company believes it can capitalize on China's \$6 billion coffee market, which is growing by 15% annually. In my opinion, if the company is successful in China, it will go a long way in boosting its stock price. This is because the company will have demonstrated that the Tim Hortons brand is not just a Canadian icon, but an international brand with lots of growth potential.

New sales initiatives to drive same-store sales growth

Management is keeping up with the competition and changing tastes and lifestyles by introducing new sales initiatives. New initiatives include plant-based burgers and sausages at Burger King and Tim Hortons, respectively, an all-day breakfast menu, a loyalty program at Tim Hortons, and more home delivery options at all of its brands. I expect at least some of these undertakings to boost same-store sales in the future.

Commitment to growing its dividend

Management is committed to growing the company's [dividend](#). It recently announced that it is targeting an 11% increase in dividends in 2019, resulting in a current dividend yield of just above 3%.

The bottom line

Restaurant Brands. is a growing company with built-in unit growth that is driven by its franchisees. In addition, it has a solid 3% dividend yield that is growing. These factors make it an [excellent investment](#) for your TSFA. Moreover, if the company is successful in growing the Tim Hortons brand internationally, I believe the stock will trade significantly higher.

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