This Restaurant Stock Has Kept Shareholders Fat and Happy Since its 2014 IPO

Description

Earlier this month, I'd discussed two clothing companies that recently went public on the TSX. A lot has been written about the changing retail landscape, which has been impacted by changing demographics and digitalization. Another industry has undergone shifts due to these trends but has attracted far less attention. I am talking about the restaurant industry.

Like clothing retail, restaurant stocks have been hit or miss for investors over the past decade. Companies that thrive have been able to adapt to this new environment. **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) announced its initial public offering (IPO) in December 2014. This IPO was triggered by a transaction that combined Tim Hortons and Burger King into one of the largest restaurant brands in the world. It would add the Popeyes Louisiana Chicken brand to its stable in 2017.

RBI has rewarded its shareholders since its launch on the TSX in late 2014. Over the past three years, RBI stock has increased by an annual average of 19%. Shares have climbed 36% in 2019 as of close on July 22. The stock also offers a quarterly dividend of $0.50 per share, which represents a 2.7% yield at the time of this writing.

Coming on a five-year run, RBI has thrived on the back of this trio. Burger King has been the stand-out and has continued to post impressive growth output while RBI has fought to up the trajectory at Tim Hortons and Popeyes chains. RBI has endured some internal squabbling with Tim Hortons franchisees, but the storm appears to have passed after it introduced its Winning Together plan.

RBI reported strong system-wide sales growth in the first quarter. As expected, Burger King posted the highest system-wide sales growth at 8.2%. However, Popeyes came in at a solid 6.6%. Tim Hortons trailed behind at 0.5% system-wide sales growth. The company is set to release its second-quarter 2019 results on August 2.

The company recently announced that it is planning a 40,000-location expansion over the next decade compared with the roughly 26,000 locations it has right now. It launched its first Tim Hortons store in China in February and aims to open approximately 1,500 more shops in the country over the next decade. **Starbucks** has had incredible success with its push into China.

When this year kicked off, I'd discussed why I liked restaurant stocks in 2019. The Canada Food Price Report revealed that restaurants would be a key beneficiary of food price inflation throughout the year. To add to that, Canadians are also eating out more than in prior years. The success of mobile food apps is a key contributor to this trend.

Is RBI stock a worthy target right now? I like shares in the long term, but RBI boasts a high valuation as of close on July 22. The stock is trading near all-time highs, and shares had an RSI of 68 at the time of this writing. This puts RBI very close to technically overbought territory.

Investors who want the best value should look for a more favourable entry point as we await RBI's Q2 2019 results.

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