



It's Time to Watch Restaurant Brands International (TSX:QSR) Very Closely

Description

Earnings season for **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) is just around the corner. The fast-food behemoth is set to announce earnings in just over a week from now, and most analysts forecast that the company will post moderate gains over the prior quarter.

That fact alone shouldn't sway investors, but the following key points make a compelling case to consider.

I'll take the chicken (along with billions of others)

When RBI acquired the Popeyes brand, most saw the deal as merely a means of expanding an impressive portfolio that already included the wildly popular Burger King and Tim Hortons names.

What most people didn't see, however, is the appeal of adding a chicken restaurant to RBI's portfolio. Specifically, RBI has an aggressive stance toward expansion, and the appeal of chicken, unlike burgers and donuts, is worldwide.

By way of example, RBI has already helped Tim Hortons push out from its traditional safe expansion zone, which was limited to markets in the U.S. a few hours away from the border as well as token locations in niche markets such as Dublin and Dubai. In the past two years, Tim Hortons has expanded to new markets such as the U.K., Mexico, Spain, and the Philippines, leveraging Burger King's successful franchise model.

Applying that same logic to the Popeyes brand could just as lucrative, if not more so. Specifically, RBI announced an agreement this week that will see 1,500 Popeyes locations open in China within the next decade.

Tim Hortons opened its first store in China earlier this year and is also targeting a 1,500-store network there within a decade.

How about a side of innovation?

One of the things about fast food restaurants is that they become stale as time goes on. Burgers and fries or coffee and donuts can only be innovated so much before something drastic is needed to reinvigorate the menu. We've seen it before — adding bacon to anything and providing all-day breakfast options are two prime examples.

Two recently announced options are worthy of note and could shake that model.

The first is Burger King's coffee-subscription model. In short, a few dollars a month provides you with a small coffee every day. This is a dream for millions of commuters looking for a quick, inexpensive breakfast, and the company hopes (and will likely back up) the hypothesis that those subscribers are also buying something to go along with that coffee.

The second is Tim Hortons new innovation cafe in downtown Toronto. The location offers unique features such as a brew bar with nitro cold brew and lattes on tap, premium new sandwiches, and an array of new baked goods. More specifically, it's the type of store setting that can serve patrons in a busy environment (downtown) quickly.

RBI is a dividend gem in hiding

When Tim Hortons and Burger King came together to form RBI, the company offered a paltry dividend that was best described as a rounding error. While this led many would-be investors to opt for any number of [better-paying dividend stocks](#) in the market, RBI began a series of handsome upticks to that paltry payout.

The result is the current 2.68% yield, which is not only competitive but continues to grow thanks to continued strength during earnings season. In the first fiscal quarter of 2019, RBI posted strong sales growth across, which was primarily attributed to Burger King (8.2%) and Popeyes (6.8%).

Revenue came in at US\$1,266 million in the most recent quarter and adjusted net income was US\$255 million, or US\$0.55 per adjusted diluted share.

Final thoughts

RBI is not an investment for everyone. While the company boasts a handsome dividend that [continues to see growth](#), it still falls behind many of the higher yields on the market. From a growth standpoint, RBI is an intriguing option for investors, as the recently announced expansion efforts should keep investors happy over the long term.

That being said, the stock is a little on the pricey side at the moment with a P/E of 41.45 and a stock price that continues to hover near its 52-week high. An entry point following the earnings announcement next week is likely the best course of action for would-be investors.

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