TFSA Growth Investors: This Dividend-Growth Stock Keeps Knocking Earnings Out of the Ballpark

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) stock was a king among men last Friday with shares surging nearly 6% following the release of powerful second-quarter results in spite of the unfavourable commentary from the Fed and more tariffs on Chinese goods courtesy of President Trump.

In prior pieces, I've emphasized Restaurant Brands's ridiculously high growth ceiling that can be raised at any time, either through further brand acquisitions or through the entrance into a new geographic market. With new international partnerships in the bag, the company's expedition into new markets is looking like a low-risk, capital-light strategy that could pay massive dividends for many years to come.

At this juncture, Restaurant Brands has more than enough growth on its plate, and with comps on the rise, the cash cow is proving to investors why it should be a staple in any long-term TFSA retirement fund.

How good were the comps?

The Burger King and Popeyes Louisiana Kitchen comps were finger-licking good. Comps at Tim Hortons were underwhelming, but they were definitely forgivable.

Burger King posted 3.6% comps (vs. expectations of 2.1%) and 6.5% in non-U.S. comps thanks in part to tremendous strength in the Chinese, Indian, Brazilian, and Spanish markets. Burger King's better-than-average comps were also guided higher by delivery platforms.

Popeyes Louisiana Kitchen enjoyed 3% comps (vs. expectations of 0.8%) thanks mainly to its innovative platform, and Tim Hortons posted a weaker-than-expected 0.5% comps.

Burger King did most of the heavy lifting for the quarter, and Tim Hortons was a drag — a phenomenon we've witnessed multiple times in the past.

Although the Tim Hortons comps were nothing to write home about, it was encouraging to see Canadian Tim Hortons comps back in the green after a quarter in the red. While the loyalty program, kids menu, and innovative menu offerings, including **Beyond Meat**, are something to look forward to, it’s not what has me most excited about comps growth moving forward.

It’s the potential behind high-end boutique cafés, which are being tested in the Toronto market. Although the high-end location will be nearly negligible to the financial results over the near term, I see the potential for Tim Hortons to enjoy a similar magnitude of success that **Starbucks** did with its high-end line of Reserve cafés.

Sure, Tim Hortons’s new Toronto-based boutique looks like a blatant copy of Starbucks Reserve, but I think it could propel comps much higher if management is able to find the right spot with consumers.

In any case, management made it clear that it’s collecting rich data and is going to use it to enrich the experience of guests moving forward. I think that’s a winning strategy that’ll serve as a big boon to comps over the long haul.

The comps were terrific, but management’s commentary has me even more bullish on the name over the long haul. Moving forward, I expect management will continue to surprise investors to the upside with massive dividend hikes and big earnings beats. Although the stock seems overextended here, I wouldn’t hesitate to recommend it here given the incredible growth potential.

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