# Restaurant Brands (TSX:QSR) Hits $100: Is the Stock Still a Buy?

### Description

**Restaurant Brands International Inc** (TSX:QSR)(NYSE:QSR) has been doing very well this year, with its stock price rising by more than 40% year to date. The share price finally hit the $100 mark last week when the company released its second-quarter results.



## Strong growth numbers in Q2 have gotten investors excited

One of the key numbers that investors always focus on is that of same-store growth. In particular, the growth achieved by Tim Hortons, which in the past has struggled to find incremental sales, especially in a very saturated Canadian market.

That's why when in the company's most recent earnings results Tim Hortons showed same-store sales rising by even 0.5%, it helped give the stock a bit of a boost.

It also helped that Burger King also saw a big increase from 1.8% a year ago up to 3.6%. Investors were given many reasons to be excited about the potential for the two big brands.

Growth itself has not been difficult for Restaurant Brands, as it's undergone a very aggressive international expansion among its different chains. The company recently reached 18,000 Burger King locations and more than 26,000 stores across its three brands, including Popeyes.

Popeyes and Tim Hortons locations combined account for less than one-third of the total restaurants that Restaurant Brands owns, with Burger King still being far and away the leader in terms of locations.

However, it's not hard to see why Restaurant Brands would be more focused on growing Tim Hortons, as despite having fewer locations, the brand contributed more in adjusted EBITDA ($287 million) than Burger King did ($252 million) this past quarter.

## Why same-store sales is key

Same-store sales growth will always be the most important metric for a company like Restaurant Brands. While opening up more stores will help grow the top line, it'll also lead to increased costs and could potentially result in cannibalizing other stores sales along the way, especially if a new restaurant is in close proximity to an existing location.

Same-store sales, however, allow investors to see how well existing locations are doing and the number is more reflective of changes that the company is making. Increasing stores can add noise to the results and distort poor-performing results by adding more locations.

It's similar to how a company can get a boost from a new acquisition, which can help total revenues increase even if the existing business is not doing so well.

## Is Restaurant Brands a buy?

Overall, the company had a good quarter and so it was no surprise that the stock got a boost in price. The problem that I have is that although the stock is going to see lots of growth in the future, at 45 times earnings and 14 times its book value, investors are paying some pretty big premiums to own the stock.

With the number of good growth stocks to choose from on the **TSX,** there are going to be better deals out there for investors. Unless we see stronger growth numbers from the company, it's going to be difficult to justify investing in the stock at around $100 per share.



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**Author**
djagielski