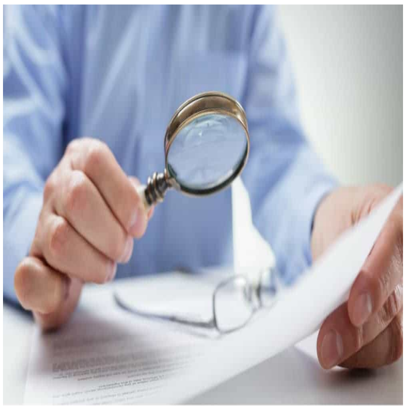

Should You Buy Restaurant Brands International (TSX:QSR)?

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is the name behind some of the biggest fast-food brands on the market. When Burger King and Tim Hortons first joined together several years ago, they established a global brand that has kept growth as a central theme.

Today, that group also includes Popeyes Louisiana chicken, and talk of continued international expansion across all three brands is stronger than ever.

But is Restaurant Brands still considered a good long-term buy?

Fast food is a challenging business

Razor-thin margins, a complex menu, rising wages, disgruntled franchise owners, and the changing tastes of consumers are just some of the challenges that Restaurant Brands continues to face.

While Restaurant Brands has excelled at embracing some of these changes, such as the launch of the Impossible Whopper and finally pushing Tim Hortons out to foreign markets, the company has struggled in other areas. A prime example of this is how Tom Hortons continues to see lacklustre growth here at home when compared to its Restaurant Brands peers.

In the most recent quarter, Burger King realized sales growth of 15%, the highest number since 2015. Popeyes also saw one of its highest comparable sales growth figures in two decades, surpassing 10% in the U.S. market. Tim Hortons, however, saw sales growth numbers come up flat in the quarter, spilling into negative territory by 0.1%.

Apart from that recent hiccup from Tim Hortons, Restaurant Brands is well known for its aggressive stance towards expansion. The company took Tim Hortons and pushed the franchise out to new markets such as the Philippines, Mexico, Spain, and the U.K., and kickstarted the international growth for the Popeyes brand, too.

Turning to the future, that aggressive expansion is turned on one market in particular: China. The company continues to forecast opening 1,500 Tim Hortons locations in the country over the next decade. A similar agreement announced earlier this year also will see 1,500 Popeyes locations open in China.

Quarterly results show growth

Despite the anemic growth from Tim Hortons, Restaurant Brands had an overall good quarter. Total revenue for the quarter came in at US$1,458 million, surpassing the US$1,375 reported in the same quarter last year. Those gains were also reflected in earnings, with the company earning US$351 million, or US$0.75 per diluted share. By way of comparison, Restaurant Brands earned US$250 million, or US$0.53 in the same period last year.

Leading into the quarter, Restaurant Brands managed to improve its free cash flow to US$1.34 billion over the trailing 12-month period, posting solid gains over the US$1.15 billion reported over the same 12-month period last year.

Adding to that appeal is the fact that Restaurant Brands continues to chew away at its remaining debt, which now stands near US$11 billion, and also managed to refinance US$1.25 billion of that debt, which will provide interest savings over the next few years.

Does this make RBI a good investment?

There are a lot of reasons why Restaurant Brands makes a great addition to your portfolio. The recent strong results and international growth prospects noted above are prime examples, but we should also mention Restaurant Brands's dividend.

The company offers a quarterly dividend that currently provides an appetizing 3.04% yield. Over the past year, Restaurant Brands has also settled into providing shareholders with an annual bump to that dividend, the most recent uptick coming in March of this year. While that may not resonate as a high-yield income pick for some investors, it is stable and growing.

In short, Restaurant Brands is a well-run company that has appeal to both growth- and income-seeking investors.

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