



A Growth Stock of a Lifetime: Don't Miss Out on its Dividends, Too

Description

Growth stock **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) began its recovery after reporting its Q4 and full-year 2019 results, despite Tim Hortons having experienced a comparable sales decline.

Here are the actual results.

Tim Hortons the tempered

A lot of Tim Hortons fans have obviously turned their backs on the quick-eat joint. Tim Hortons's system-wide sales declined 2.9% in Q4 2019 (against Q4 2018's growth of 2.4%) to nearly US\$1.7 billion.

Additionally, the quarterly sales decline was way worse than the full-year 2019 decline of -0.3%. This momentum can continue into 2020 if Timmies isn't able to "focus on its fundamentals and founding values," as it said it would in the press release.

Meanwhile, Restaurant Brands added 86 net new Tim Hortons restaurants in 2019.

Burger King: A fitting king

Among Restaurant Brands's three brands, Burger King pulled in the largest system-wide sales of US\$22.9 billion in 2019. Burger King makes up almost 70% of Restaurant Brands's total restaurant count!

Burger King also saw a high single-digit system-wide sales growth of 9.3% for the year, thanks partly to having the strongest year of restaurant growth in the last 20 years, as it added more than 1,000 net new restaurants during the year.

Eye-popping growth at Popeyes

Popeyes Louisiana Kitchen experienced eye-popping system-wide sales growth of 42.3% in Q4 2019, which drove its system-wide sales growth to 18.5% for the full-year 2019. Popeyes attributes the growth to the launch of an iconic chicken sandwich.

But we shall see in the coming quarters whether it's a fad or not.

Meanwhile, Restaurant Brands added 214 net new Popeyes restaurants in 2019.

Consolidated results for 2019

Restaurant Brands's 2019 system-wide sales growth was 8.3%, net restaurant growth was 5.2%, adjusted earnings per share increased 3.4% to US\$2.72, adjusted EBITDA increased organically by 6.5% to US\$2.3 billion, and free cash flow was \$1.4 billion.

Growth ahead

There are about 18,800 Burger King restaurant locations but fewer than 5,000 of Tim Hortons and about 3,300 of Popeyes. If there's room to add Burger King restaurant count, there's much *much* more room to add Tim Hortons and Popeyes globally.

QSR stock is a growth story that will span across decades.

Valuation

The [growth stock](#) is still a meaningful way (about 14%) down from its 52-week high and trades at a good valuation for long-term double-digit growth.

Therefore, investors who believe in the value that Restaurant Brands brings (or will bring) to its customers should consider buying some shares, as it's turning around Tim Hortons and growing its other brands.

QSR is already showing strong growth at Burger King and Popeyes. Imagine how formidable it will be when it turns Timmies (and its old fans) around.

Investor takeaway

Restaurant Brands stock has resilience because it offers cheap eats. It also has [growth potential](#), because of its international expansion story.

Importantly, QSR is a cash cow. The capital-light business only had capital spending of US\$62 million in 2019, which was less than 5% of its free cash flow, while its payout ratio (of free cash flow) was 64%.

Therefore, its dividend is safe, and it was able to raise its quarterly dividend by 4% to US\$0.52 per

share and now yields about 3.1%. Shareholders can expect many more dividend increases in the future. Since 2015, QSR stock has more than quadrupled its dividend!

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