TFSA Investors: A Top Dividend Stock the Canada Revenue Agency Can't Tax

Description

In a prior piece, I outlined several TFSA crimes that many Canadians may unknowingly be guilty of and the financial penalties associated with such easily avoided errors. If you don't break any TFSA rules, any investment gains or income are free from being taxed by the Canada Revenue Agency, including high-yield dividend stocks with above-average dividend-growth potential.

Consider **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) stock, which I see as a growth stock, a dividend stock, a dividend-growth stock, and a value stock. The double-digit revenue grower has one of the longest growth runways out there, exceptional stewards that know the ins and outs of the industry, a generous capital return structure, and, at current levels, the stock looks to be trading at a considerable discount to its intrinsic value.

At the time of writing, shares of Restaurant Brands trade at 16.8 times next year's expected earnings, 5.5 times sales, and 14.2 times EV/EBITDA, a low price of admission to a company that's averaged revenue and net income growth of nearly 10% and 18%, respectively, over the last three years. Moreover, given the capital-light growth model, the company can pursue ambitious growth initiatives while handsomely rewarding its shareholders with whopper-sized dividend hikes.

Why's the stock still so cheap?

It's partially because the fast-food industry is out of favour on the Bay Street fashion show, but mostly because of the woes facing Tim Hortons, one of Restaurant Brands's most prized chains.

For the most recent quarter (Q4 2019), Tim Hortons dropped the ball, with Canadian same-store sales (SSS) of nearly -5%. Yikes!

Despite the abysmal performance by Tim's in the fourth quarter, Restaurant Brands managed to beat on earnings thanks to blowout SSS numbers by Popeyes Louisiana Kitchen, one of the fastest-rising fast-food franchises on the planet. Tim's was a complete drag for the quarter, but, fortunately for Restaurant Brands, it has two other brands that can do the heavy lifting for any given quarter to offset continued weakness at Tim's.

And while the weakness is offset, I'm a raging bull on a turnaround that's brewing at Tim's. The brand is getting a subtle management shakeup, with Alex Macedo slated to leave next month, as the company looks to simplify its strategy to regain the business of Canadians who've decided to head to a competitor for their morning double-double.

"We're encouraged by Tim Hortons' back to the basics approach, including the rollout of a new coffee brewer to improve consistency, the introduction of non-dairy alternatives & skim milk in the spring and innovation around core categories." wrote Credit Suisse following the release of Restaurant Brands's latest results.

You could say that Tim's had its hand in too many pies with Beyond Meat burgers, which have since been discontinued, and a plethora of "innovative" menu items that didn't find a spot with consumers. The company had spread itself too thin in a move to capture the breakfast and lunch share, with all those competitive pressures.

The "back-to-the-basics" move, I believe, could bring back the customers who've grown fed up with what Tim's has become under the management of 3G Capital. And with that, I see an upcoming quarter where Tim's comps could bounce alongside Popeyes, fuelling a stock surge (and potentially a dividend hike) for the ages.

A Tim's turnaround is already brewing. All investors need to do is wake up and smell the coffee.

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Author

joefrenette