Tim Hortons Plunges, but Restaurant Brands (TSX:QSR) Remains a Strong Buy

Description

Editor's Note: *The original version of this article stated that Tim Horton's same-store sales declined by 46%. That has been corrected to 4.6%.*

On February 10, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) announced earnings, and shares continued to climb, despite significant weakness shown at the company's premier Canadian brand, Tim Hortons, in Q4 2019. Shares rose approximately 4% after the earnings announcement, despite this weakness.

Tim Hortons's same-store sales (an important measure, as this excludes new locations) declined by 4.6% in Canada on a year-over-year basis, the company reported. This turned out to be the worst quarter for the Restaurant Brands's subsidiary since being acquired in 2014, raising red flags for some investors.

That said, as I've talked about in the past, Tim Hortons is one of three core holdings for Restaurant Brands, and thus, Tim Hortons's results need to be viewed through the lens of an investor considering all three franchises together.

In that lens, things are looking up for Restaurant Brands, with both Burger King and Popeyes Louisiana Kitchen posting impressive results. Popeyes was the big driver for Restaurant Brands this past quarter, with the latest rollout of that franchise's chicken sandwich leading to a 37% pop in Popeyes's revenue on a year-over-year basis.

Restaurant Brands was able to beat on both top- and bottom-line expectations, presenting earnings per share and revenue numbers that were marginally higher than estimates.

The company also announced another dividend increase, furthering the value proposition for income-oriented investors; at 3.2% at the time of writing, Restaurant Brands's dividend has become one of the bright spots for a company, which was previously viewed as more of a growth play for long-term defensive investors, with a normal dividend yield.

I continue to like the growth prospectus for Restaurant Brands over the long term and will continue to be in the bullish camp on this stock, from the perspective of a conservative long-term buy-and-hold point of view.

Perhaps what was hidden or obscured in the company’s results (many analysts and news outlets focus on the headline numbers only) was a new 2020 plan for Tim Horton’s announced by Restaurant Brands’s management team, which I think is a huge positive for investors.

This plan includes new digital boards and a revamp of Tim Hortons’s drive-thru locations, a new loyalty plan (which should increase stickiness among a customer base that increasingly has more options), and a return to the basics in terms of food and drink offerings, away from a lot of the experimentation that the company believes, in hindsight, didn’t work.

Bottom line

The reality for Canadian investors in Restaurant Brands is that this company is one which is a heck of a lot more than “just” the parent company of Tim Hortons. I’m way more excited about the long-term potential of Burger King and Popeyes and would encourage investors to dive deep into the company’s financial reports before reacting positively or negatively to Canadian headlines.

Stay Foolish, my friends.

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Date
2025/07/02
Date Created
2020/02/25
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