Is This Top Restaurant’s Dividend in Danger of Being Cut?

Description

Retailers and restaurants are struggling amid the COVID-19 pandemic. And one way that companies can give themselves some breathing room is to cut or suspend their dividend payments, if they pay them. Many companies have gone that route this year and many more are likely to follow suit, especially as cases of COVID-19 continue climbing and as people remain at home.

One restaurant stock that still pays a dividend today is **Restaurant Brands International Inc** (TSX:QSR)(NYSE:QSR). The company’s known for its popular fast-food chain brands Tim Hortons, Burger King, and Popeyes.

With restaurant locations all over the world, its broad operations make it a lot more stable than other, more regional companies that aren’t as diverse. But that doesn’t mean things are going smoothly for Restaurant Brands.

Restaurant Brands is coming off a tough quarter

On August 6, the Toronto-based business reported its second-quarter results up until the end of June, where it said that 93% of its restaurants were back up and running by the end of the period. Restaurant Brands also said that its system-wide sales, which include results from all restaurants, were back at around 90% to where they were a year ago as cities have reopened around the world and are back in business.

But for the quarter itself, system-wide sales were down 20.9%, with Tim Hortons doing particularly badly and declining by 33.4%.

While the company’s optimistic that the worst may be over with the bulk of its restaurants open again, rising COVID-19 cases put that into doubt as more lockdowns and shutdowns could be around the corner if the situation continues to get worse, especially in the U.S.

Can Restaurant Brands keep its dividend alive?

Currently, Restaurant Brands pays a quarterly dividend of US$0.52 which yields around 3.8% annually. It's a great dividend payment and one that the company's been growing over the years. But it may all be for naught if there's a new wave of COVID-19 cases that forces the company's restaurants to close down again.

During the first two quarters of the year, Restaurant Brands brought in just US$196 million in cash from its day-to-day operating activities. That's nowhere near the US$716 million that it paid out during that time in dividends.

If that pattern continues, it may force Restaurant Brands to make a change to its dividend, either suspending it or cutting it.

Bottom line

Restaurant Brands remains committed to its dividend for now and even during some rough months it resisted any temptation to stop its quarterly payouts.

But if you're not willing to hang on to the stock for the long term, it may not be a great idea to invest in Restaurant Brands, especially if the dividend is a key reason you'd invest in the company.

There are too many uncertainties surrounding COVID-19 and while the outlook for the company may look okay right now, another wave of COVID-19 could change that in a hurry.

There are other, safer dividend stocks that you can invest in today that provide good yields and that won't put your portfolio at much risk.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/18
Date Created
2020/08/16
Author
djagielski