
# Is It Time to Invest in Fast Food?

### Description

Later this week we will enter into October. I usually don't celebrate the months rolling over, but 2020 has been anything but typical. So far, we've seen a global pandemic take shape, witnessed the U.S. impeachment trial unfold, and watched the U.K leave the E.U. We also watched senior Royal family members step down, and the (dysfunctional) beginning of the U.S. electoral season at the caucus in Iowa. Finally, there was the market crash in March which brought an end to the longest bull-run in history.



In any other year, any of these events would be seen as extraordinary. In 2020, that was just normal life leading into March.

## Welcome to the new normal

Each of these events (and others that didn't make this list) altered our daily lives and by extension, retirement portfolios. Some, like the COVID-19 pandemic, have had a lasting impact that remains to this day. For investors, navigating that volatile market means finding the right mix of investments.

While there are many great defensive stocks to pick from, today I want to mention **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). For those unfamiliar with the stock, Restaurant Brands is the fast-food name behind Burger King, Popeyes Chicken, and Tim Hortons.

More recently, Restaurant Brands made headlines when Warren Buffet sold his stake in the company. Seasoned investors might recall how the Oracle of Omaha was instrumental in the original merger between fast food titans Burger King and Tim Hortons. Buffet has also exited his position in the airline industry earlier this year.

While Mr. Buffet may have exited Restaurant Brands, there's no need to follow suit. The company still holds long-term potential for investors and continues to offer an attractive dividend.

## Why fast food and why Restaurant Brands?

The COVID-19 pandemic turned the entire service industry around. This is particularly important for the restaurant business. In short, “reduced-capacity inside-dining” is a term that will become a painful statement now that cooler temperatures are arriving.

Specifically, reduced capacity is going to impact the profitability of restaurants. During the summer months, that drop was offset partially by placing tables outside in a socially-distanced manner. No such luck exists during the winter months.

To be clear, Restaurant Brands isn’t immune to this change. Restaurant Brands has already shuttered hundreds of underperforming sites from its global restaurant network. Closing indoor dining rooms during the pandemic also made the ongoing renovations of many of its fast food restaurants an unnecessary expense.

This was evident in the most recent quarterly report. In that report, Restaurant Brands reported consolidated system-wide sales growth that was 20.9% lower than last year. In terms of system-wide sales, the company reported US$6,482 million, reflecting a US$1,963 million drop over the same quarter last year.



Overall, the company earned US$163 million, or US$0.35 per diluted share in the quarter. By way of comparison, during the same quarter in 2019, Restaurant Brands Earned US$257 million, or US$0.55 per diluted share.

## Why now?

The silver lining that investors should look toward is two-fold. First, the company continues to re-open its locations. Toward the end of the last quarter, Restaurant Brands had over 90% of its locations open. Those reopening efforts should have an impact on the next quarterly result due later this year.

The second point to note is Restaurant Brands’ delivery model. Fast Food restaurants are all about quick service. Prior to the pandemic, the company was working on multiple fronts to advance its brands. Tim Hortons was expanding internationally while revamping and simplifying here at home.

Burger King was continuing to roll out its delivery model to more markets while enhancing its digital app. Popeyes saw (and continues to see) superb growth and rapid expansion.

Finally, as an added incentive, Restaurant Brands also offers an appetizing quarterly dividend. The current yield amounts to a solid and respectable 3.62% yield. In terms of growth, the company has provided annual or better upticks to that payout over the years, making it a great buy-and-hold candidate.

In my opinion, Restaurant Brands remains a solid pick for any well-balanced portfolio.

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**Date**
2025/08/25
**Date Created**
2020/09/28
**Author**
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