The 3 Best Restaurant Stocks to Buy Today

Description

Ontario, the most populous province in Canada, has been in a heightened state of alert since late 2020. Many industries have suffered due to the restrictions and lockdowns. Few have paid a bigger price than the restaurant industry. Ontario's leadership have promised a path to reopening this week. However, as usual, the details on the reopening were sparse. This left restaurants and other business owners in the dark. Regardless, it is a positive step forward as we look ahead to the end of winter. Today, I want to look at the three best restaurant stocks to add as we approach the middle of February.

Why Restaurant Brands has been static over the past year

Restaurant Brands International (TSX:QSR)(NYSE:QSR) owns, operates, and franchises quick-service restaurants under the Tim Hortons, Burger King, and Popeyes brand names. Its shares have dropped 11% year over year as of late-morning trading on February 12. I'd warned investors that restaurant stocks would be a dangerous hold during the pandemic.

RBI released its fourth-quarter and full-year 2020 results on February 11. Global digital sales rose to $6 billion in 2020. This rate doubled in home markets, as consumers were forced to digital channels during the pandemic. Fast-food restaurants have proven more robust during the pandemic, as they have been able to efficiently offer pandemic-proof services. Still, adjusted EBITDA at RBI fell 18% from 2019 to $1.86 billion in 2020.

Shares of this restaurant stock have been mostly flat over the past year. However, the company announced an increase to its quarterly dividend in Q4 2020. It offers a quarterly distribution of $0.53 per share, representing a 3.6% yield.

This restaurant stock offers a tasty dividend

Pizza Pizza Royalty (TSX:PZA) owns and franchises quick-service restaurants under the Pizza Pizza and Pizza 73 brands in Canada. These brands have also proven resilient during the pandemic. Shares of Pizza Pizza have climbed 7.3% in 2021 as of early afternoon trading on February 12.

Investors can expect its last batch of results in early March. In Q3 2020, the royalty pool's sales dropped 9.4% and same-store sales decreased 9.5%. However, its restaurant network decreased by five locations. In the year-to-date period, royalty pool sales declined by 10.3%.

This restaurant stock boosted its monthly dividend by 10% to $0.06 per share. That represents a tasty 6.7% yield. Moreover, Pizza Pizza boasts a favourable price-to-earnings ratio of 12.

One more stock to add in this struggling space

Recipe Unlimited (TSX:RECP) is the last restaurant stock I want to look at today. In the summer, I'd suggested that investors should look at this stock as the economy bounced back. However, a second round of restrictions and lockdowns have punished the restaurant space.

Casual dining restaurants like Kelseys, The Keg, Swiss Chalet, and others have struggled mightily during the pandemic. These establishments have tried to adapt by offering food services through apps like UberEats and SkipTheDishes. However, without in-room dining, these establishments will continue to suffer.

Shares of Recipe Unlimited have dropped 8.5% year over year. Fortunately, the reopening across Canada should provide a boost in the months ahead. This restaurant stock has jumped 7% over the past three months. While it is in a tougher spot than the previous two stocks in this piece, it is still worth a look today.

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TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:PZA (Pizza Pizza Royalty Corp.)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:RECP (Recipe Unlimited)

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