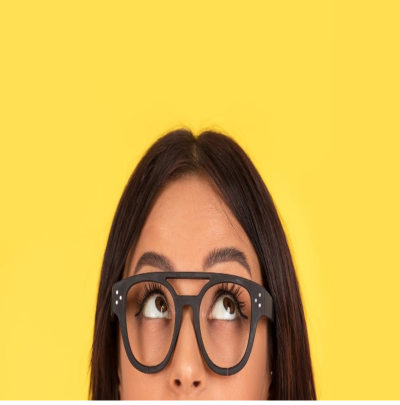

Should You Buy Restaurant Brands International (TSX:QSR)?

Description

Food stocks, particularly fast-food stocks, can provide lucrative growth and income-earning potential. There's a good reason for that view, ranging from the necessity of the service they provide to the simplicity of the model. But what happens when a fast-food brand is struggling and reinventing itself? Should investors buy in on the promise of that transformation or wait until later? Let's try to answer that by looking at whether investors should buy **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) stock.

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Buy Restaurant Brands!

Restaurant Brands is the name behind three large fast-food chains: Burger King, Tim Hortons, and Popeyes Louisiana Kitchen. All three franchises cater to different tastes and markets, which makes Restaurant Brands a truly global brand. This also provides would-be investors with some diversification, which is an advantage over other single-banner food stocks.

Restaurant Brands has both an aggressive agenda towards expansion and the expertise to integrate new brands. After a period of limited growth following the acquisition of Popeyes, Restaurant Brands might be ready to seek out a new brand. The pandemic-induced slowdown might even provide the catalyst for Restaurant Brands to act now.

As for that expertise in managing global brands, Restaurant Brands does this with ease, which is truly incredible. Just consider the slim margins, constantly changing menus, and the occasional disgruntled franchisee. Fortunately, Restaurant Brands has found a way to make it work and even leverage the successes of one segment to apply to problem areas in another.

A key example of this is Tim Hortons.

The problem with Tims … is not really a problem anymore

The chain remains popular within Canada and arguably in some cross-border towns in the United

States. Unfortunately, international expansion including a further incursion into the U.S. market was always a problem. However, Burger King's successful franchise operation led to that business expanding successfully to over 100 countries.

Applying Burger King's franchisee program to Tim Hortons allowed the coffee chain to expand into new markets with haste. Examples include the U.K., Spain, the Philippines, Mexico, and China. China is an interesting example where Tim Hortons has taken an aggressive approach. The chain is targeting to have over 1,500 locations in China and within a decade. The chain passed the 100-store milestone in October of last year.

While the chain remains hyper-focused on growth abroad, the brand is lagging at home. After years of franchise problems and menu revamping, Tim Hortons adopted a "back to basics" initiative for 2021. The premise is simple: focus on the coffee, donuts, and breakfast items that customers want instead of what they don't. Part of that initiative involves using fresh eggs, adding an improved dark roast coffee, and removing all colours and preservatives from the menu items. The company has stated it could achieve this by the end of 2021.

While intriguing, that doesn't exactly resonate as to why investors should buy Restaurant Brands. At best, it translates into how the company is fixing its current issues.

Opportunities from the pandemic?

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When the pandemic hit, Restaurant Brands was impacted, much like every other business was. Indoor dining was temporarily closed, which resulted in a deep yet not entirely unexpected drop in earnings. This pushed the company to hasten efforts on offering a delivery service, which was already being rolled out slowly. As markets reopen, people will return to their morning routines, which will fuel a Restaurant Brands recovery.

In the interim, Restaurant Brands still offers investors a tasty quarterly dividend that works out to a 3.51% yield. This makes the stock not only a growth favourite, but also a candidate for income seekers.

Furthermore, as noted above, Restaurant Brands could move to pick up a fourth brand. Not all restaurants have been as quick to adapt or have deep pockets to weather the pandemic. This puts the company in a prime position to go shopping. After all, Restaurant Brands already has an established track history in buying brands and integrating them into a global portfolio.

To put it another way, if you're a long-term investor, you should buy Restaurant Brands. The company offers the growth and income-earning potential to power any portfolio, and the stock trades at a discount.

Buy it now and hold it for a decade.

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