Restaurant Brands Remains a Buy Following Excellent Earnings

Description

The food and beverage industry in general has trailed behind other sectors coming out of the pandemic. There are signs the market believes restaurants still have a long way to go before trading at pre-pandemic levels. That said, catalysts like fully fledged vaccine rollouts have led to earnings of several firms reach pre-pandemic highs.

One such firm to look out for is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), which posted an excellent earnings report for the latest quarter. Should you buy it after this development? Let's take a detailed look.

Restaurant Brands beat analyst expectations

Following a slow 2020, system-wide sales picked up this year, advancing 1.4%. For the quarter ending March 31, 2021, Restaurant Brands reported EBITDA of US$480 million with an EPS of US$0.55. These numbers were moderately above the Wall Street predictions of US$456 million and US$0.50, respectively. The company's final revenue numbers came in at US$1.26 billion, which was better than US$1.225 billion reported one year ago.

The key takeaways from this earnings report pertain to growth. Essentially, Restaurant Brands reported 148 new restaurants, displaying growth similar to pre-pandemic levels. In fact, such growth is second to only Q1 2018, which saw this enterprise report its best numbers to date.

It is clear from these trends that while Restaurant Brands is riding post-pandemic momentum, steps taken to drive growth via organic means are taking hold as well. I think Restaurant Brands's future growth prospects signify an opportunity at these levels. Analysts seem to agree, with some juicy upside list for this stock today.

Reopening thesis still strong with banner diversity

Yes, lockdown restrictions still weigh down the performance of Tim Hortons, the key brand many investors have their focus on right now. After all, Tim Horton's accounts for a massive chunk of Restaurant Brands's total revenue.

However, the company is making a series of moves in the right direction with its Tim Hortons banner. It appears that the "Back-to-Basics" plan of a simpler menu, better coffee, and fresh egg sandwiches proved to be a success.

This is only one of the many steps taken by Restaurant Brands, as the company gears up for worldwide reopening. For instance, the Tim Hortons mobile app recorded two million downloads in March 2021. Couple this with an increase in system-wide sales at Burger King and Popeyes, and the future looks bright for this enterprise.

Bottom line

Following a positive earnings call, Restaurant Brands is providing an appetizing 3% yield. While this isn't a number worth writing home about, Restaurant Brands is in a position to continue to grow its dividend over time in the absence of growth opportunities.

That said, I think a number of great growth opportunities exist today for long-term investors. Restaurant Brands remains a solid buy at these levels.

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