



## COVID-19 Recovery Stocks: This Value Stock Could See Sales Skyrocket

### Description

**MTY Food Group** ([TSX:MTY](#)) is among North America's leading franchisors of the restaurant industry. The company's activities consist of franchising and operating corporate-owned locations in the [quick-service restaurant](#) and casual dining segments of the restaurant industry as well as the sale of retail products under a multitude of banners. The company also operates two distribution centres and two food-processing plants, which are all located in the province of Quebec. MTY's multi-concept model allows the company to position itself across a broad range of demographic, economic, and geographic sectors.

### Multiple revenue streams

The company's operations mainly consist of franchising in the quick-service and casual-dining restaurant industry. As such, the main revenue streams for MTY's Canadian and United States segments are royalties, franchise fees, sales of services and material to franchisees and other franchising revenues. The company also operates corporate restaurants, including 37 corporate outlets in Canada and 76 in the United States. The company's current market share in North America remains under 1% of the market.

### Impact of COVID-19

COVID-19 had a tremendous impact on the food-service industry in 2020, testing the agility and innovation of this important sector of the Canadian and U.S. economies. Due to the pandemic, 2020 food-service sales were forecasted to fall by more than 30% in Canada. Of all major industries in Canada, food service was one of the hardest hit, resulting in 20% of all jobs lost due to COVID-19.

However, a challenging year has also provided MTY with the chance to exhibit the company's innovation and ability to [forecast consumer demands](#). Due in part to health concerns, many trends emerged in 2020, such as online ordering, digital sales, delivery, and curbside pickup. In terms of operations, the increase in online ordering, digital sales, delivery, and curbside pickup have added new challenges but also new opportunities to the restaurant industry. Other trends that have also emerged

include paring down menu items, ghost kitchens, and increased delivery options through third-party aggregators.

In the wake of COVID-19, MTY also launched multiple ghost kitchens in existing restaurant locations during the year. These ghost kitchens and the pre-existing MTY restaurant locations are benefiting from the synergies of shared costs, streamlined workflows as well as being able to respond to the increase in delivery and takeout orders.

## Diverse restaurant locations

Out of the company's 7,001 locations in operation, 6,867 were franchised or subject to an operator agreement, 113 locations are operated by MTY, and the remaining 21 are from a joint venture. MTY's locations can be found in office tower food courts, shopping mall locations, street front locations, and other non-traditional locations within airports, hospitals, campuses, petroleum retailers, convenience stores, grocery stores, cinemas, amusement parks, and in other venues or retailers shared sites.

The company generates revenues from the restaurant locations, which it owns and operates. Revenues from corporate owned locations represented 13% and 16% of total revenues for 2020 and 2019 respectively. As restaurants reopen after the global pandemic, MTY is very well positioned to significantly increase sales and profits and could be a great stock to own over the next several decades.

### CATEGORY

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