



A Top COVID-19 Recovery Stock to Buy Now

Description

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) is [recovering fast](#) from the impacts of COVID-19. The company's fondant and fills manufacturing facility in Oakville, Ontario has reopened. This facility produces and is the primary supplier of, ready-to-use glaze, fondants, fills, and syrups which are used in a number of Tim Hortons' products.

Seller of most raw materials and supplies

As of December 31, 2020, Restaurant Brands has only one or a few suppliers to service each category of products sold at the company's restaurants. Restaurant Brands sells most raw materials and supplies, including coffee, sugar, paper goods, and other restaurant supplies, to Tim Hortons' restaurants in Canada and the United States.

Multiple suppliers from various coffee-producing regions

In addition, Restaurant Brands [purchases raw materials](#) from multiple suppliers and generally has alternative sources of supply for each. While the company has multiple suppliers for coffee from various coffee-producing regions, the available supply and price for high-quality coffee beans can fluctuate dramatically.

Significant supply chain operations

Accordingly, Restaurant Brands monitors world market conditions for green coffee and contract for future supply volumes to obtain expected requirements of high-quality coffee beans at acceptable prices. Its Tim Hortons business has significant supply chain operations, including procurement, warehousing, and distribution, to supply paper, dry goods, frozen goods, and refrigerated products to a substantial majority of the company's Canadian restaurants.

A huge number of trucks and trailers

Further, Restaurant Brands acts as a distributor to the Tim Hortons restaurants in Canada through nine distribution centres located in Canada, of which five are company-owned, including three warehouses that were newly built or renovated and opened in 2020 and cover approximately 90% of the volume. Restaurant Brands owns or leases a significant number of trucks and trailers that regularly deliver to most of the company's Canadian restaurants.

Negotiating the purchase terms for products

In the United States, Restaurant Brands supplies similar products to restaurants through third-party distributors. All of the products used in the company's Burger King and Popeyes restaurants are sourced from third-party suppliers. In the U.S. and Canada, there appears to be a purchasing cooperative for each brand that negotiates the purchase terms for most equipment, food, beverages, and other products used in Burger King restaurants.

Exclusive suppliers for proprietary products

Furthermore, it appears that the purchasing agent is also authorized to purchase and manage distribution services on behalf of most of the Burger King restaurants in the U.S. and Canada. PLK also employs exclusive suppliers for certain of the company's proprietary products. Four distributors service approximately 92% of Burger King restaurants in the U.S. and five distributors serviced approximately 92% of PLK restaurants in the U.S.

Lucrative franchise agreement

For each franchise restaurant, Restaurant Brands generally enters into a franchise agreement covering a standard set of terms and conditions. Recurring fees for the company consist of periodic royalty and advertising payments. Franchisees report gross sales on a monthly or weekly basis and pay royalties based on gross sales. Franchise agreements are generally not assignable without the company's consent.

Recurring fees add significantly to the intrinsic value of Restaurant Brands.

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Date

2025/07/20

Date Created

2021/08/12

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