Is Restaurant Brands International a Top Reopening Play?

Description

Most economies in the developed world are reopening due to the fast rollout of vaccinations. Several Canadian provinces relaxed lockdowns measures by August triggering a shift in consumer spending. Does this mean post-COVID-19 stocks such as **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) should be on your buying radar right now?

QSR stock has more than doubled since its IPO

Restaurant Brands owns, operates, and franchises quick-service restaurants under well-known brands that include Tim Hortons (TH), Burger King (NK), and Popeyes (PLK). At the end of December 2021, it owned or franchised 4,949 TH outlets, 18,625 BK restaurants, and 3,451 PLK restaurants. These restaurants are located in 100 countries all over the world.

There is a good chance that people will spend a higher portion of their income on outdoor activities that include dining in restaurants after spending close to 18 months indoors. It suggests QSR and peers are well poised to benefit from this shift in demand, making it a top stock to buy right now.

Restaurant Brands International is one of the largest Canadian companies and is currently valued at a market cap of $24.7 billion. QSR stock went public in December 2014 and has since returned 138% to investors in dividend-adjusted gains. Comparatively, indices such as the **S&P 500** and **TSX** have risen 140% and 79%, respectively, since the QSR IPO.

Shares of the quick-service heavyweight plummeted to less than $40 during the bear market of 2020, as demand across restaurant chains remained subdued during COVID-19. Its sales fell to $4.96 billion in 2020 compared to $5.6 billion in 2019. Analysts tracking QSR stock expect sales to rise by 16.2% to $5.77 billion this year and by 7.8% to $6.22 billion in 2022. The company is also forecast to improve its earnings per share from $2.03 in 2020 to $3.19 in 2022.

What’s next for Restaurant Brand International investors?

Restaurant Brands International is experiencing encouraging growth across markets and brands. It recently opened the 400th BK store in France, allowing QSR to generate €1 billion in systemwide sales in the country by the end of 2021. The company is also witnessing a pronounced acceleration in sales in China for the TH brand and is on track to double the size of this business in the region in 2021.

While a significant portion of the Canadian population continues to work from home, QSR's comparable sales have risen in Q2 compared to the same period in 2019. Further, the pandemic has also accelerated the shift towards digital sales, which have grown 60% year over year in the company's home markets last quarter.

Going forward, the rising popularity of the PLK brand is expected to be a key revenue driver for QSR. It sees a significant runway for long-term growth at PLK, which continues to generate more than $1.8 million in annualized sales per restaurant in the U.S. compared to $1.4 million in 2019. In the first six months of 2019, PLK has increased systemwide sales by 40% year over year, making it extremely important for QSR in the long run.

QSR stock is trading at a reasonable valuation given its forward price-to-2022-earnings multiple of 25 and price-to-sales multiple of four. Bay Street expects sales to rise at an annual rate of 21.7% in the next five years. Further, the company also provides investors a forward yield of a tasty 3.4%, which results in an annual payout of $2.71 per share.

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