3 Yummy Stocks: Which Is the Best Buy Now?

Description

If you've been following the market closely, you would notice that economic re-openings and vaccination programs have driven comebacks of restaurant stocks. Below are three yummy stocks that you might be interested in. My take on them can provide material for your initial research.

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Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) stock more than doubled from the bottom of the pandemic market crash last year. There was no question about whether the business would survive or not, as it remained profitable during last year's tested times. One big reason for this is that Restaurant Brands has more than 27,000 restaurants around the globe. When some were closed from economic lockdowns, others were opened.

Because of the pandemic, its systems sales fell 9% in 2020. Only one of its three brands, Popeyes Louisiana Kitchen, saw systems sales growth last year. This is why we witnessed a stronger growth driven by a comeback from its other two brands — Tim Hortons and Burger King.

The dividend stock continued to increase its dividend through the pandemic. This year marks its sixth consecutive year of dividend growth. Since its cash flow generation is as strong as ever, investors can expect higher payouts in the future. The pullback from September is a decent buying opportunity in the discounted stock. For starters, it provides a secure yield of 3.4%.

A&W Revenue Royalties Income Fund

A&W Revenue Royalties Income Fund (TSX:AW.UN) stock has climbed about 140% from its low in the pandemic market crash in 2020. While A&W's food is fresh and delicious, the dividend stock evidently wasn't as resilient as Restaurant Brands.

The income fund generates cash flow from more than 1,000 A&W restaurants across Canada. Specifically, it earns 3% of the gross sales as royalties from the locations. When economic lockdowns were in place for an extended time, it naturally cut its cash distribution.

As soon as possible, though, A&W reinstated its dividend in July 2020. Its cash distribution is steadily making its way to pre-pandemic levels. In the first half of the year, its royalty income has normalized with a marginal improvement from the same period in 2019.

As a country with one of the highest vaccination rates, Canada should be keeping the novel coronavirus at bay. Some investors might be interested in holding A&W stock for a nice yield of close to 4.7%. As the dividend stock raises its cash distribution over time, its stock price should also nudge higher.

MTY Food Group

Many of **MTY Food Group's** (TSX:MTY) locations are in the food court of malls, which is why it took a rare loss last year. The company was forced to eliminate its dividend during the pandemic. It's a good thing it reinstated its pre-pandemic dividend in July.

When malls opened again and more people became vaccinated, MTY Food Group's results quickly normalized. In fact, this fiscal year (that ends in November), its earnings are expected to exceed what's earned in 2019. In the first three quarters, it saw revenue growth of 5.6% and adjusted EBITDA growth of 22.6%.

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Approximately 98% of its locations are franchised or under operating agreements. So, the company requires little cash to run the business. Year to date, it generated close to $104 million of free cash flow, which translated to $4.17 on a per-share basis.

Today, the stock trades at a slight discount and can potentially deliver total returns of about 14% over the next year.

The Foolish investor takeaway

Reviewing the restaurant stocks leads to one conclusion. Restaurant Brands appears to be the best buy now. Undervalued QSR stock offers a decent dividend yield and double-digit growth rate potential.

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1. Dividend Stocks
2. Investing

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2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:MTY (MTY Food Group)
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