Is Restaurant Brands (TSX:QSR) Stock Worth Buying After its Q3 Earnings?

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) opened on a negative note this morning after it released its Q3 2021 results. At the time of writing, its **TSX**-listed stock was trading at $74.12 per share — down more than 3% for the day. In this article, we'll find out what could be hurting investors' sentiments today and discuss whether QSR stock is worth buying on this dip. But first, let's dive deeper into its latest quarterly financials.

Restaurant Brands Q3 revenue missed expectations

In the September quarter, Restaurant Brands's revenue rose by more than 11% YoY (year over year) to US$1.5 billion. Improving system-wide sales — including revenue from franchise and property and advertising — helped the company post stronger revenue for the quarter. Notably, its Burger King brand's international sales jumped by a solid 25% YoY in Q3.

However, its latest quarterly revenue was slightly short of analysts' expectations. While the COVID-19 concerns are continuing to affect its business, nearly 97% of its restaurants worldwide remained open during the third quarter.

On the positive side, Restaurant Brands's adjusted earnings in the third quarter rose by nearly 12% YoY to US$0.76 per share, beating analysts' estimates by a narrow margin. Similarly, its adjusted net profit margin in Q3 expanded to 23.6% from 24.9% in the previous quarter — partly due to foreign currency tailwinds.

What could be hurting investors' sentiments?

In the third quarter, Restaurant Brands reported an 8.9% and 7.9% increase in Tim Hortons's and Burger King's Q3 comparable sales, respectively. On the flip side, its comparable sales for Popeyes dropped by about 2.4% during the quarter. All these comparable sales figures were slightly lower compared to analysts' expectations. This could be one of the main reasons why QSR stock slipped this morning.

The Toronto-based company also highlighted the pandemic-driven supply chain pressures and labour challenges in its Q3 earnings report. These challenges are forcing Restaurant Brands to reduce its operating hours and service modes in some of its restaurants. While these challenges might be temporary, the company hasn't seen any notable difference in its operational performance in October so far compared to its Q3 performance. It suggests that the company's Q4 operational results might not show any major difference over Q3.

Is QSR stock worth buying?

Restaurant Brands stock has been trading on a negative note for the last couple of years. After losing 6% of its value in 2020, the stock is currently trading with nearly 5% losses in 2021.

The ongoing trend in its financials doesn't look very impressive. Nonetheless, the company remains focused on expanding its business by adding more restaurant units. Currently, it has more than 27,000 restaurants in over 100 countries. The management plans to expand its restaurant units worldwide to around 40,000 in less than a decade. While this growth strategy may look a little aggressive and increase Restaurant Brands's expenses in the medium term, it could also boost its long-term financial growth prospects.

That's why I consider QSR stock worth buying on a dip — especially for dividend investors. The stock currently has a dividend yield of about 3.4%.

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