



Restaurant Brands Climbs 5% After Global Digital Sales Hit \$10 Billion

Description

Restaurant Brands ([TSX:QSR](#))([NYSE:QSR](#)) saw shares climb about 5% on Tuesday after the company reported a 13.8% increase in year-over-year revenue to \$155 billion and beat earnings [estimates](#).

- System-wide sales grew 14% year over year for the quarter, with digital sales up 65%.
- RSI stock added over 1,200 new restaurants, including on an international scale.
- The company acquired Firehouse Subs and increased its target dividend for the year.

What happened in FY21 for RSI stock?

RSI stock reported earnings that beat out estimates for both the full year and fourth quarter of 2021. For full-year 2021, sales grew 13.8% year over year, with net restaurant growth up 4.5%. This came out to diluted [earnings](#) per share of \$2.69 compared to \$1.60 the year before. Adjusted EBITDA came to \$2.248 billion, up 17.1% since 2020 levels.

These results showed that while RSI stock may still be below 2019 levels, it's a significant improvement that shows the company managed to roll with the pandemic punches — so much so it was able to acquire Firehouse Subs near the end of last year. Furthermore, it declared a target dividend of \$2.16 per share for 2022. This represents an increase of 2% from current levels.

What did RSI management say about FY21?

Chief Executive Officer José Cil was particularly impressed by the company's digital sales and restaurant growth in 2021. Global digital sales reached \$10 billion in 2021, which was a \$4 billion increase from \$6 billion in 2020. It now represents 30% of the company's global system-wide sales.

“Our growth throughout 2021 resulted in strong free cash flow generation, allowing us to make important investments in our business while returning over \$1.5 billion of capital to

shareholders and acquiring a new restaurant brand in Firehouse Subs. I am excited for what lies ahead for our family of four iconic brands and am confident in the strength of our team, our franchisees and our strategies to drive long-term growth and value creation.”
CEO José Cil

What's next for RSI stock?

After all this improvement, there are still some red flags for investors to watch in the near future. And, of course, the two biggest are inflation and supply-chain issues. Cil expects further price [increases](#) in 2022, though he wants to try and not get ahead of the consumer on pricing.

Still, RSI stock managed to see an improvement in part thanks to fewer COVID-19 restrictions. Many provinces and territories continue to drop vaccine passports, which could also certainly see a strong increase in sales for the next quarter as well.

While the company still has a little ways to go to reach pre-pandemic levels, it's almost there. The introduction of new products and partnerships, such as the collaboration with pop star Justin Bieber, certainly don't hurt as well. This collaboration alone became one of the most effective traffic-driving initiatives it's seen in some time, according to Cil.

What investors will want to watch next is whether Tim Hortons manages to achieve the aggressive growth RSI stock plans in China. However, Ottawa-Beijing relations remain strained, so it's unclear when or if this will go forward.

Shares of RSI stock are up 4% as of writing, up only slightly since the beginning of this year. Analysts currently give it a consensus potential target price of \$97.

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