



Passive Income: This Dividend-Growth Stock Could Pay You \$10 a Day

Description

Investors looking to earn passive income should identify quality stocks that have the ability to maintain dividends across business cycles and raise these payouts over time. Further, if these stocks are held in a TFSA, investors can benefit from tax-free gains. In addition to a steady dividend payment, these stocks should also increase shareholder returns via long-term capital gains. Here, we'll take a look at one such [dividend-paying stock](#) — **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) — that should be part of your TFSA portfolio right now.

The bull case for QSR stock

Restaurant Brands International owns, operates, and franchises quick-service restaurants under popular brands such as Burger King, Popeyes, and Tim Hortons. The company went public back in 2014 and has since returned 127% to investors in dividend-adjusted gains. Comparatively, the S&P 500 Index has gained close to 150% in this period.

It increased sales from \$5.35 billion in 2018 to \$5.60 billion in 2019. However, the ongoing pandemic led to store closures and lower footfalls, which meant its sales fell to \$4.96 billion in 2020.

However, as lockdown restrictions were eased in the last year, the company's revenue grew to \$5.73 billion in 2021. Its system-wide sales grew by 13.8%, while net restaurant growth was 4.5%. Restaurant Brands International reported adjusted earnings per share of \$2.82 in 2021, up from \$2.03 in the year-ago period.

Its adjusted EBITDA rose 17.1% year over year to \$2.24 billion, while net cash provided by operating activities stood at \$1.72 billion with a free cash flow of \$1.62 billion. QSR also returned \$1.52 billion to shareholders via dividends and share buybacks.

Digital sales key driver of future growth for QSR

Restaurant Brands International explained its business experienced stellar growth in the digital sales

vertical in 2021. Its digital investments enabled the company to grow global digital sales to \$10 billion in 2021, up from \$6 billion in 2020. It now accounts for 30% of system-wide sales.

Its global network of franchisees and development opened more than 1,200 net new restaurants in 2021. QSR CEO, Jose Cil stated, "Our growth throughout 2021 resulted in strong free cash flow, 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."

What's next for investors?

Right now, QSR stock is trading at [a market cap](#) of \$23.75 billion, valuing it at a reasonable trailing 12-month price-to-sales multiple of four. Its price-to-earnings multiple is also attractive at 26. Analysts tracking QSR stock have a 12-month average price target of \$97, which is 28.6% above its current trading price.

It also provides investors with a juicy dividend yield of 3.71%, making it attractive to income investors. So, investors can generate returns of more than 30% in the next year considering its forward yield.

Restaurant Brands International pays investors a quarterly dividend of \$0.663 per share. These payouts have [increased at an annual rate](#) of 22.6% in the last five years. So, if you invest \$10,000 in QSR stock, you could generate \$371 in annual dividends, indicating a daily payout of over \$10.

CATEGORY

1. Dividend Stocks
2. Investing

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