1 Fast-Food Chain Is a Better Dividend Growth Stock Than Suncor (TSX:SU)

## Description

Many publicly-listed companies curtailed their capital spending in 2021 such that their cash positions and balance sheets were strong when they entered 2022. Brian Belski, the chief investment strategist at **BMO** Capital Markets, said in September last year that the TSX had one of its sharpest earnings rebounds on record.



In November and December 2021, federally regulated financial institutions (banks and insurance companies) announced dividend hikes. Belski believes the dividend growth surge above historical averages will continue in 2022. A company that raised its dividends recently is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR).

**Suncor Energy** (TSX:SU)(NYSE:SU) lost its dividend aristocrat status when it slashed dividends by 55% after Q1 2020. However, the oil bellwether increased the yield to its pre-pandemic level in Q4 2021. While both companies reported top and bottom-line growths in last year, the fast-food chain operator appears to be the better dividend growth stock.

# Four iconic brands

The parent company of Burger King, Tim Hortons, and Popeyes closed out 2021 with a strong performance. José Cil, RBI's CEO, cites the sequential improvements in each brand globally. In the 12 months ended December 31, 2021, total revenue and adjusted net income rose 15.5% and 9.5% versus 2020.

RBI's free cash flow at the close of the year was US$1.72 billion, a 101.5% increase from year-end 2020. On December 15, 2021, it acquired Firehouse Subs, the fourth-biggest sub sandwich chain in the United States. As RBI's fourth brand, Firehouse's international development will accelerate.

Cil points to digital sales and restaurant growth as the areas of particular strength across the business. Because of RBI's digital investments, global digital sales reached $10 billion in 2021, and accounts for 30% of global system-wide sales. The global network of franchisees is even stronger with the opening of over 1,200 new restaurants (net).

Management is excited going forward and is confident the four iconic brands and operating segments will drive long-term growth and value creation. At $74.32 per share, the resto stock is down 2.6% year-to-date. However, based on market analysts' price forecast, the upside potential is between 30.6% and 53.3%. If you invest today, the dividend yield is 3.65%.

## Enormous cash flows

In Q4 2021, Suncor's $3.1 billion adjusted funds from operations was the highest in the company's history. President and CEO Mark Little said, "Our increased cash flows in 2021 enabled us to exceed our shareholder return targets for the year through increased dividends and accelerated share repurchases."

Little adds that the accelerated debt reduction ($3.7 billion) during the quarter $3.7 also strengthened Suncor's balance sheet. Net earnings in 2021 reached $4.11 billion compared with the $4.31 billion net loss in 2020. Like most energy constituents, the stock outperforms with its 18.7% year-to-date gain.



Suncor trades at $37.57 per share and pays a 4.47%. Unfortunately, RBC Capital Markets downgraded the shares of the $54.07 billion oil sands king due to safety and reliability issues. One worker died in a truck collision in January 2022. Management will deploy collision-mitigation technology to prevent a similar accident in the future.

## Exciting recovery plays

Restaurant Brands and Suncor Energy are two exciting recovery plays but I'd pick the fast-food chain if I were to invest today. The energy stock is doing well but an oil price slump could trigger a dividend cut again.

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