



Restaurant Brands Stock Yields 3.7%: Should You Buy?

Description

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) just reported its fourth-quarter (Q4) and full-year 2021 results on Tuesday. The dividend stock popped about 3% on the day. Should you buy it? Let's investigate its results.

Restaurant Brands stock's 2021 results

Because Firehouse Subs is Restaurant Brands's newly acquired brand, the following comparisons to past results exclude Firehouse Subs numbers.

Restaurant Brands stock's full-year results provide a bigger picture than its quarterly results. In 2021, the quick-service restaurant company's global system-wide sales climbed 13.8% year over year to US\$35.5 billion. However, one can argue that this growth rate is skewed because its global system-wide sales fell 8.6% in 2020 during the pandemic. Using the 2019 global system-wide sales is a better comparison. QSR's 2021 global system-wide sales improved 4.3% versus 2019.

QSR had 28,243 restaurants in its system at the end of 2021, up 4.3% from 2019. Its 2021 revenue was US\$5.7 billion, an increase of 2.4% versus in 2019. Its 2021 adjusted EBITDA was US\$2.2 billion, down 2.5%. The full year's adjusted net income rose 2.7% to US\$1.3 billion. Finally, the adjusted diluted earnings per share (EPS) of \$2.82 was up 3.7% versus in 2019.

What do the dividend stock's Q4 results tell us?

For the quarter, Restaurant Brands's numbers compare to Q4 2019 as follows:

- Global system-wide sales climbed 4.5%
- Revenue climbed 4.5%
- Adjusted EBITDA fell 6.4%
- Adjusted net income down 3.1%
- Adjusted diluted EPS down 1.3%

Digital innovation helping sales

In the 2020 press release, Jose Cil, the QSR CEO stated the following:

“Driving rapid digital innovation has been essential to the recovery of our business. We increased support for and continued to build on our e-commerce platforms, reimagined service opportunities like curbside pickup and expanded delivery services into thousands of new restaurants. The outcome has been the more than doubling of digital sales in North America.”

Restaurant Brands’s global digital sales reached US\$6 billion in 2020, which was under 20% of its global system-wide sales. In 2021, this figure hit US\$10 billion, or about 28% of its system-wide sales.

Should you buy QSR stock now?

When comparing the dividend stock’s 2021 results to the normalized results in 2019, the growth rates are not exceptional. Its 2021 payout ratio based on earnings was approximately 76%, which is kind of high for a consumer cyclical business. However, [QSR stock](#) is also a free cash flow machine. In 2021, it generated free cash flow of US\$1,620 million, up 14.6% compared to 2019. This led to a sustainable free cash flow payout ratio of about 61% in 2021.

The [dividend stock](#) was able to raise its dividend by 1.9%. Consequently, its quarterly dividend now has an annualized payout of US\$2.16 per share. This equates to a safe yield of about 3.7% at the recent quotation of US\$58.57. At this stock price, according to Yahoo Finance, the analyst consensus 12-month price target, across 26 analysts, suggests near-term upside potential of 18.7%.

If the dividend stock fits your investment risk profile, you can consider taking a small bite of shares at current levels.

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