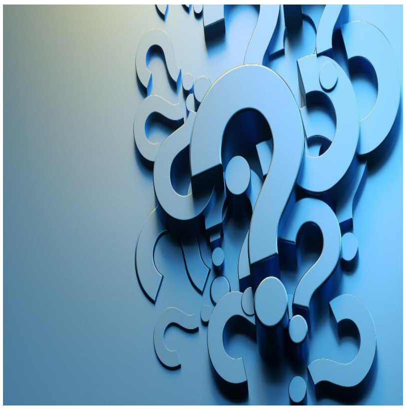

Restaurant Brands (TSX:QSR): Should You Buy the Post-Earnings Dip?

Description

Last summer, Canada's vaccination drive was in full swing, and it looked like a full reopening was on the horizon. At the time, I'd suggested that investors should look to the restaurant industry for investment candidates. Unfortunately, Canadians were forced to endure another round of restrictions due to the Omicron variant that spooked policy makers in the fall of 2021.

Today, I want to zero in on **Restaurant Brands** (TSX:QSR)(NYSE:QSR), a top restaurant stock in Canada. Is this stock worth snatching up after its latest earnings release? Let's dive in.

How has Restaurant Brands performed over the last year?

Shares of Restaurant Brands have dropped 5.2% in 2022 as of close on May 3. The stock has declined 17% in the year-over-year period. A little over a year ago, I'd recommended that investors buy Restaurant Brands after Warren Buffett had dumped his own shares. Well, I'm not the first person to get beat out by the Oracle of Omaha.

RBI may have struggled over the past year, but I'm still interested in snatching up this stock for the long haul. The restaurant industry is set to benefit from several bullish trends. First and foremost, restaurants will be able to celebrate what looks like a long-term return to normalcy after the COVID-19 pandemic. Second, soaring inflation could also boost the bottom line for restaurants. The 2022 Canada Food Price Report, which is released annually by Dalhousie University, projected that restaurant prices would rise between 6% to 8% this year.

Should investors be encouraged by its latest earnings report?

Restaurant Brands owns and operates super fast-food brands Burger King, Tim Hortons, Firehouse Subs, and Popeyes Louisiana Chicken. The performance of these chains has fluctuated in recent years. However, Burger King has been the one constant in terms of its positive returns.

This company released its first-quarter 2022 results on May 3. It delivered consolidated system-wide sales growth of 13% compared to 1.4% in the previous year. Burger King and Tim Hortons stood out as the top performers to open the year. Meanwhile, Restaurant Brands reported total revenues of $1.45 billion — up from $1.26 billion in first quarter of 2021.

Investors should also be encouraged by RBI's adjusted EBITDA of $530 million in Q1 2022 — up from $480 million in the previous year. Moreover, RBI posted adjusted net income of $295 million, or $0.64 per diluted share, compared to adjusted net income of $257 million, or $0.55 per diluted share, in Q1 2021.

RBI has thrived on the back of its digital sales growth as the investment it made during the pandemic paid off in a big way. The company looks well positioned for strong growth in the post-pandemic era.

Restaurant Brands: Is it a buy today?

Restaurant Brands stock is trading in favourable value territory compared to its industry peers. It declared a quarterly dividend of $0.54 in its first-quarter 2022 earnings report. That represents a 3.9% yield. RBI last had an RSI of 36, which puts it just outside technically oversold territory.

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