1 Dividend Juggernaut That Could Grow Fast in a Recession

Description

It's been a pretty choppy start to August, with investors rattled by the U.S. jobs numbers, which were much better than expected, with a jaw-dropping 528,000 positions added in July alone.

With such strength in the job market, the Fed and Bank of Canada (BoC) may have a harder job fighting off elevated inflation without picking up their rate-hike pace. With job growth surging and further upward pressure on wages (this would make it harder to combat inflation), the Fed and BoC may have the means to pull out a few more upside surprises come the next meeting.

Whether or not the Fed and Bank of Canada need to inflict more economic pain remains to be seen. Regardless, I believe the biggest risk to markets today is not being aggressive enough with rates. Like it or not, the markets could continue to be a choppy ride going into year's end, as investors hope for a soft landing.

At this juncture, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) is a terrific pick to ride out a rate-induced storm.

Restaurant Brands International

Restaurant Brands is an underperforming basket of fast-food icons that can't seem to bring out the most in its chains. Though the firm has struggled in the wildly competitive market of quick-serve restaurants, I think management is on the verge of turning a corner going into an environment that could be a boon for sales growth.

When inflation is high and there are fears that stagnant growth is on the horizon, the low-cost, fast-food firms with solid value options will shine brightest. These days, the consumer is holding up strong, but sentiment could wane quickly in the latter half of the year, as more rate hikes further stress consumer balance sheets.

Indeed, many consumers are sitting on considerable savings. However, inflation has taken a big bite out of such nest eggs. With stagnant wage growth and modest job losses a possibility, I'd be unsurprised if consumers began ditching pricy restaurants for cheap and tasty offerings at the local Burger King or Tim Hortons.

At the end of the day, fast food is a recession-resilient product that economists refer to as “inferior” goods. When times get harder, demand tends to go up. Whether or not the rate-induced slowdown results in a recession, it’s clear that QSR is better geared than most other firms to make the most of the situation.

Menu innovation could be essential to recession-era growth

Following the release of some solid quarterly results, CEO Jose Cil remarked on menu innovation as a means to drive sales growth.

“Our culinary team is now looking to continue to innovate and drive guests in with new ideas,” said Cil in an interview conducted by *Yahoo Finance*.

Though QSR is open to testing the waters with intriguing new menu items, Cil noted that it will continue to “deliver core products that people love.” Undoubtedly, Tim Hortons is a brand where customers continue to crave the basics.

Turnaround brewing at Tims

For the latest quarter, Tim Hortons saw an impressive 12.2% in same-store sales growth (SSSG), beating estimates calling for 8%. In the Canadian market, Tim Hortons saw SSSG of 14.2% — incredible numbers driven by product innovation.

Indeed, the new “Loaded Bowls” menu item has hit the spot with some Canadians, while its collaboration with Justin Bieber is starting to show signs of paying off. As Cil and company continue to innovate, I expect nothing but great things going into a period of economic sluggishness.

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Date
2025/08/22
Date Created
2022/08/14
Author
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