Restaurant Brands International Stock: My Favourite Dividend Bargain on the TSX

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a dividend stock that's massively underperformed peers in the quick-serve restaurant industry over the last five years. The firm behind Tim Hortons, Burger King, Popeyes Louisiana Kitchen, and Firehouse Subs hasn't really been able to bring out the best in its banners over the years. Indeed, there's a case for breaking up the brands. That said, I think the company is finally on the right track, with its prior modernization efforts finally beginning to pay off.

The pandemic was a major blow to the company, but it's finally getting its feet back following the release of some exceptional quarterly results. Now, Restaurant Brands has made the headlines for all the wrong reasons in recent years. From disputes with franchisees to questionable cost-cutting initiatives and lacklustre same-store sales comps over at Tim Hortons, it's refreshing to hear some good from QSR for a change.

Restaurant Brands International: A top stock to own as it moves out of its funk

As the Canadian economy looks to slip into a recession over the next year, I view QSR stock as an intriguing play that could help investors better weather a storm. As shares of Restaurant Brands dragged their feet over the years, the dividend yield has steadily crept higher. Even after the big post-earnings melt-up in shares, QSR still yields just north of 3.5% — one of the highest in the restaurant industry.

Undoubtedly, the $36 billion fast-food behemoth has been hungry in recent years, with the latest acquisition of Firehouse Subs, gaining the firm a prized brand in the sandwich scene. As the firm keeps one eye open on potential takeover targets, investors shouldn't expect the firm to finish its merger and acquisition (M&A) activity, even if there's still much to digest from prior deals. Arguably, the Popeyes chain still has a world of growth left in the tank.

Despite five years of sub-par results, QSR still has plenty of believers. Activist investor Bill Ackman is still a proud shareholder. Though it is worth noting that his stake remains passive. Further, Restaurant Brands's managers have likely learned a lot about the industry in recent years. Specifically, they know that cost cuts can run too deep.

In any case, I expect QSR to continue to have a disciplined approach to costs. They'll cut where it makes sense, but not if such cuts hurt longer-term growth prospects or relationships with franchisees and customers.

Strong second quarter likely just the start

For the second quarter, QSR clocked in an $0.82 EPS (earnings per share), well above the $0.73 analyst consensus. Fueling the beat was increased same-store sales growth at QSR's main trio: Burger King, Tim Hortons, and Popeyes.

In a prior piece, I'd noted that QSR stock could be an unstoppable force if it got its three brands all on the right track. With consolidated comparable sales rising around 9%, it certainly seems like QSR has found the sweet spot.

As investments in loyalty, delivery, and international expansion continue, I'd look for QSR stock to make a run for its highs, even with a mild recession thrown into the equation. QSR has found the zone, and a recession may actually work in its favour, as restaurant goers move to higher-value fast-food chains.

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