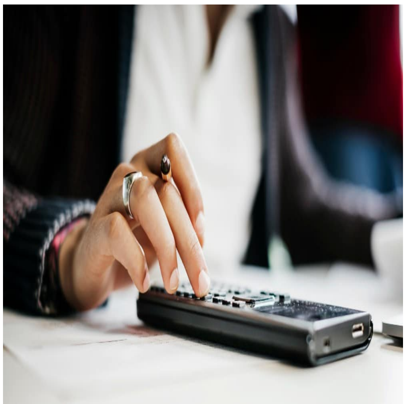

Why This Is My Biggest Holding, by Far

Description

Established in 2014, **Restaurant Brands** (TSX:QSR) (RBI) is a global Canadian-American fast-food holding company. It's the fifth-largest fast-food restaurant operator worldwide and is the owner of famous restaurant chains like Burger King, Tim Hortons, Popeyes Louisiana Kitchen, and Firehouse Subs. This company has over 29,000 restaurants in over 100 countries on an international scale.

There are a few reasons why Restaurant Brands is my biggest holding by far. Let's find out.

Restaurant Brands benefiting from unit growth and comps

In the second quarter (Q2) of 2022, comparative same-store sales in the company's Burger King and Tim Hortons banners showed some real strength. These two segments reported growth of 10% and 12.2% year over year, respectively. This was attributable mainly to the rise of the company's digital footprint as well as success in the company's promotions for its core locations.

Apart from focusing on its existing markets, Restaurant Brands is also planning on entering new markets over time. Furthermore, this company is also focusing on grabbing opportunities to ramp up the development of its core banners. The company plans on doing so by creating master franchisees, which will have exclusive developmental rights. Furthermore, these brands will also have joint ventures with new and existing franchisees to speed up the development process.

Specifically, Restaurant Brands appears to be focusing on its Popeyes banner to fuel its growth. Along with the further expansion of its operations in the United States of America, Canada, and Mexico, Restaurant Brands is also planning on expanding its businesses in India, France, the U.K., Romania, France, and Saudi Arabia.

Over time, it's expected that Restaurant Brands could hit its long-term goal of operating more than 40,000 locations worldwide.

Strong fundamentals make this a stock to hold for the long term

One of the key metrics I like to look at with any stock is a company's ROCE (return on capital employed). Looking at this metric with respect to QSR stock, there's a lot to like.

The company has improved its ROCE by 21% on a compounded basis over the past five years. This growth has come, as Restaurant Brands has kept its level of capital investment roughly the same over time. Should this continue, it's clear that the operating leverage Restaurant Brands holds could result in outsized gains for shareholders over time.

We're continuing to see this reflected in the company's earnings report. Restaurant Brands's Q2 report was stellar, with comparative same-store sales growth of around 14% across all banners. Additionally, the company's digital sales segment crossed the $3 billion mark for the first time, making this a company worth considering for its underlying tech as well.

QSR stock has continued to return capital to shareholders, delivering $400 million of capital via share buybacks and dividends this past quarter alone. Over time, I expect this trend to continue and think the company's 4% dividend yield is worth jumping on right now.

CATEGORY

1. Dividend Stocks
2. Investing

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