

Comparison of Commercial Investment Value in the Food Industry

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Abstract: This article aims to provide investment advice to investors by comparing and analyzing four representative companies in the food industry. This article can help investors choose the most suitable stocks and gain more benefits. This article identified four representative companies and conducted data organization and financial analysis on them. Based on the results, the most suitable companies for investors to invest in were identified, along with their corresponding advantages and risks. This article analyzes and calculates the data released by the four major companies, and concludes that Starbucks (SBUX) is the most suitable stock for investors to choose because it has high investment returns and low investment risks. And the other three companies will all have some flaws to some extent. This article provides a method of analyzing data to find the most suitable stocks for investment, which can help investors make decisions, it can also help investors have the ability to distinguish between good and bad stocks themselves.

Keywords: Starbucks, Food Industry, Commercial Investment Value

1. Introduction

1.1. Research Background and Significance

Value investing is a long-term investment strategy whose core philosophy is to find undervalued stocks or assets, i.e. assets priced below their true value, and then hold them until the market recognizes their true value. Value investors believe that there is speculative volatility in the market, leading to certain assets being undervalued or overvalued, and their task is to find those undervalued assets through in-depth research and analysis and invest in them.

Value investing focuses on analyzing fundamental aspects such as a company's financial condition, management quality, industry prospects, etc., in order to determine the true value of a company. For value investors, investment decisions are based on the company's intrinsic value and potential, rather than just looking at the rise and fall of stock prices. The goal of value investing is to find high-quality companies, buy at low prices and hold for a long time, in order to obtain stable investment returns.

Value investing emphasizes the patience and long-term vision of investors, who place more emphasis on the long-term development and value growth of the enterprise compared to short-term market fluctuations. Value investors usually follow the principle of "buying undervalued and selling overvalued" in order to obtain long-term stable returns. This investment strategy requires investors to have good financial knowledge, firm decision-making ability, and solid research and analysis abilities.

Overall, value investing is an investment strategy based on fundamental analysis and long-term value judgment, aimed at finding undervalued assets to obtain long-term returns. This strategy focuses on in-depth research and understanding of investment targets by investors to achieve portfolio appreciation and stable growth.

1.2. Literature Review

The analysis of enterprise investment value mainly focuses on aspects such as finance and equity structure. For example, Chen Xiaoyue and Xu Xiaodong conducted an empirical study on the relationship between equity structure and corporate performance of listed companies on the Shenzhen Stock Exchange from 1996 to 1999, excluding the financial industry. The study found that in the absence of protection for external investor interests by corporate governance, the proportion of circulating shares was negatively correlated with corporate performance; The proportion of shares held by the largest shareholder in non-protective industries is positively correlated with corporate performance [1]. With the reform of the stock market, institutional investors have made great progress, the market environment has greatly improved, and the call for value investment in the stock market has become increasingly high [2]. From the perspective of investment value, the establishment of the Beijing Stock Exchange has significantly increased the investment value of listed companies [3]. In addition, some scholars have used complex models to comprehensively analyze the investment value of enterprises, such as entropy method, factor analysis method [4-7].

1.3. Research Contents

This article selects four typical companies in the food industry, compares and analyzes their financial indicators, and selects the enterprise with the highest investment value. The chapter arrangement of this article is as follows: the first part is the introduction, including the research background and literature review, the second part is case analysis, the third part is financial analysis, the fourth part is discussion, and finally the conclusion.

2. Case Description

This paper explores the investment value comparison of four food companies. These four companies are all giants in the fast food industry and are very representative. The following materials are introductions of four companies:

2.1. Restaurant Brands International Inc. (RBI)

RBI is one of the world's largest quick service restaurant companies with more than \$40 billion in annual system-wide sales and over 30,000 restaurants in more than 100 countries. RBI owns four of the world's most prominent and iconic quick service restaurant brands-TIM HORTONS®, BURGER KING®, POPEYES® and FIREHOUSE SUBS®. These independently operated brands have been serving their respective guests, franchisees and communities for decades.

2.2. Starbucks

Starbucks Coffee Company was founded in 1971 and is headquartered in Seattle, Washington, USA. It is committed to ethical procurement and roasting of high-quality Arabica coffee from around the world. With over 32000 stores in 82 markets worldwide, Starbucks is a professional coffee roaster and retailer.

2.3. Papa Johns

John is one of the world's top three pizza brands with a long history of culinary culture. Since opening his first pizza restaurant in 1984, John has consistently adhered to the brand's promise of "better filling, better pizza.". Nowadays, John's Club has been widely recognized by the public, becoming synonymous with high-quality pizza, and has opened over 4000 chain restaurants in Europe, Asia, Latin America, the Middle East, India and other places

2.4. Yum! Brands

Yum! Brands is a large global catering group with over 35000 chain restaurants and over 1 million employees in over 110 countries and regions worldwide. Its subsidiaries include KFC, Pizzahut, Tacoebell, Edbear and Haizike, ranking first in the world in chicken cooking, pizza, hot pot, Mexican food and seafood chain catering. In 2007, Yum! Global revenue reached \$10 billion, including revenue from direct sales and franchise fees.

3. Financial Analysis

The following table contains financial data from four companies, which can help us analyze them:

Table 1: Financial data

	Restaurant Brands	Starbucks	Papa John's	Yum!
Ticker symbol	QSR	SBUX	PZZA	Yum!
Share price	\$73.84	\$88.33	\$62.65	\$143.19
TTM EPS	3.23	3.7	2.71	5.17
NTM EPS	3.5	4.14	2.63	5.76
EPS growth rate	8.4%	11.9%	-3.0%	11.4%
Revenue growth rate	24.35%	7.36%	2.51%	10.26%
TTM P/E	22.86	23.87	23.12	27.70
NTM P/E	21.10	21.34	23.82	24.86
PEG	2.73	2.01	NA	2.43

From the table 1, it can be seen that QSR has the highest Revenue growth rate but the second lowest EPS growth rate and highest PEG.

SBUX has the highest EPS growth rate and the smallest PEG ratio, while also showing a significant downward trend in P/E, proving that SBUX has good development prospects.

PZZA has the smallest share price, but it has a negative EPS growth rate and a very small revenue growth rate, so investing in PZZA should be excluded first.

For YUM, it has the highest EPS, high EPS growth rate, and revenue growth rate, but its price is too expensive. At the same time, it has the highest P/E and high PEG, indicating that it is only a stock with high price, high risk, and high return.

Therefore, among these four stocks, the author recommends buying SBUX more because it not only ensures stability and safety, but also has high returns and good development prospects.

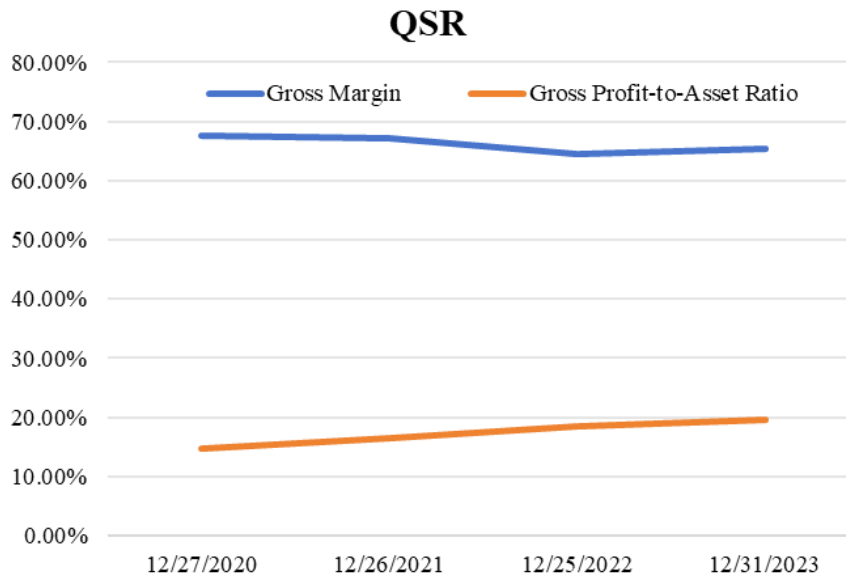


Figure 1: The trend of QSR

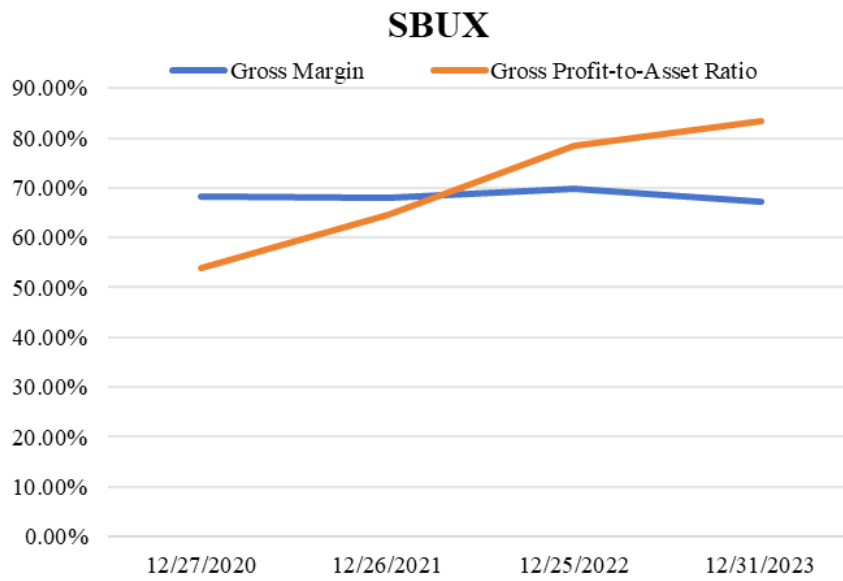


Figure 2: The trend of SBUX

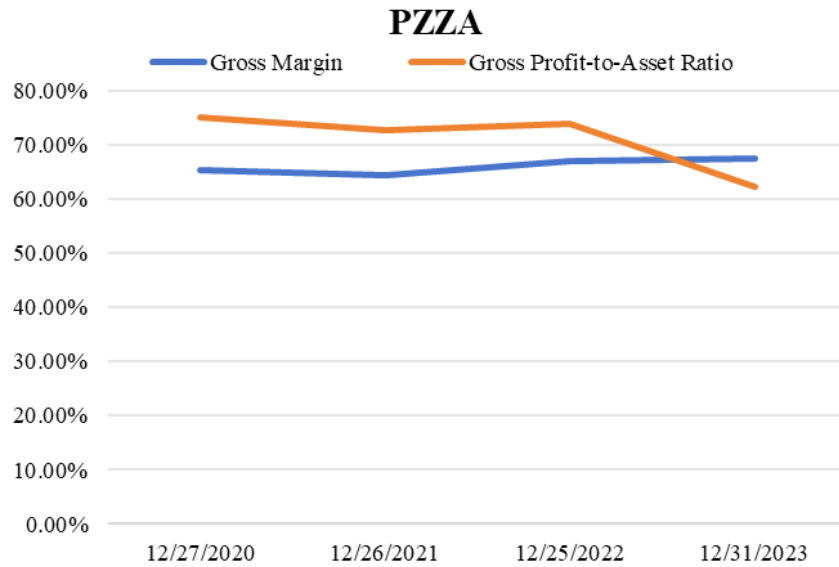


Figure 3: The trend of PZZA

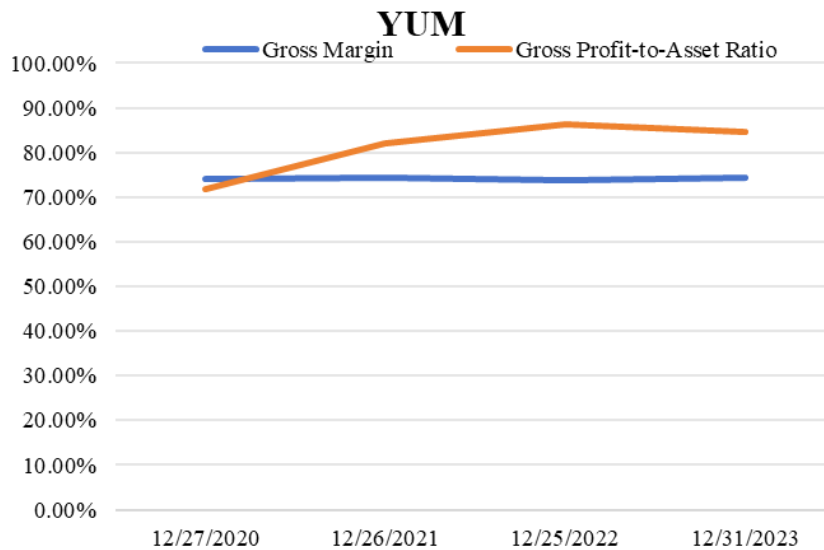


Figure 4: The trend of YUM

From Figures 1-4, it can be observed that, SBUX is consistent and robust annual gross margin from 2020-2023, all other lines have a decrease, this also indicates that he is a very promising stock.

Next are the reasons and risks of investment:

Investing in Starbucks as a well-known coffee chain brand has many advantages, making it an attractive choice to attract investors. Here are some advantages of investing in Starbucks:

First according to financial data analysis, SBUX has a High Gross Profit to Asset Ratio. As the same time it is very cheap. Although it seems that the P/E is not low now, but its P/E decreases rapidly.

Second, strong brand influence: Starbucks is one of the globally renowned coffee brands, with strong brand influence and a good brand reputation. Its brand image and consumer loyalty have brought stable income and growth potential to investors.

Third, diversified product line: Starbucks offers not only coffee, but also various products such as tea, pastries, snacks, etc., meeting the needs of different consumer groups. The diversification of categories provides it with more sources of revenue and business growth potential.

Fourth, global market layout: Starbucks has stores in major cities and countries around the world, with extensive market coverage and a global business strategy. This global layout enables it to obtain stable income and growth opportunities from different regions and markets.

Fifth, innovative products and experiences: Starbucks continuously launches innovative products and experiences, such as seasonal limited drinks, digital ordering services, etc., to attract more consumers and maintain competitiveness. This innovative spirit enables it to continuously attract new customers and maintain the loyalty of existing customers.

Sixth, environmental Protection and Social Responsibility: Starbucks is committed to sustainable development and social responsibility, promoting environmental protection measures and social welfare projects, and has won the recognition of consumers and investors. The improvement of environmental protection and social responsibility awareness has brought a good corporate image and sustainable business model to Starbucks.

Overall, Starbucks has strong brand influence, diversified product lines, global market layout, innovative capabilities, and a sense of social responsibility, making it a worthwhile stock choice to invest in. Investors can evaluate whether to include Starbucks in their investment portfolio by carefully studying its performance and prospects, as well as considering the potential returns and growth opportunities brought by its advantages.

4. Discussion

Investing in SBUX also has several potential risks: the first point is New competitors. The continuous emergency of emerging enterprises has an increasing impact on established enterprises. Next is the economic environment. The shutdown in the future economic environment may lead to a decrease in consumer spending power, which may have a significant impact on high end brands. Although value investing is considered a relatively stable investment strategy, there are also certain risks involved. Here is a summary of some risks associated with value investing. First, market risk: Market volatility is inevitable, and even if a company is undervalued, it may be influenced by overall market sentiment. The volatility of the stock market may lead to undervalued stock prices being unable to recover for a long time, or even continuing to decline [8]. Second, business risk: Even if a company is undervalued, there is still business risk. The decision-making errors of the company's management, competitive pressure, industry changes, and other factors can all affect the company's business performance and stock price performance. Third, balance sheet risk: Value investors usually pay attention to a company's financial condition, but sometimes there may be potential risks to the company's balance sheet, such as high liabilities, asset quality issues, etc., which may affect the company's long-term value. Fourth, market psychological factors [9]. The emotions and behaviors of market participants may also affect the effectiveness of value investment. For example, market panic may lead to further declines in undervalued stock prices, which may pose challenges for investors. Fifth, opportunity cost: Value investing requires investors to make long-term holding decisions, but in this process, they may miss other investment opportunities, leading to opportunity cost. Holding undervalued stocks for too long may lead to investors missing out on better investment opportunities [10].

Overall, although value investing is a relatively stable investment strategy, it also carries certain risks. Investors should recognize these risks and reduce them through in-depth research, strict risk control, and a long-term investment perspective to achieve long-term investment success.

5. Conclusion

This article mainly analyzes the financial data of four catering giants, calculates the corresponding financial ratios through publicly available financial data, and creates margin and GP/A line charts to analyze the corresponding returns and risks of investing in the four companies, thereby identifying the most suitable stock for investors to invest in, namely SBUX, and providing the advantages and risks of investment. The method in this article can be widely applied to all publicly available stocks, helping investors choose stocks that are more suitable for investment and can bring more returns. It can also help stock analysts better analyze stocks and provide a new approach. However, the time span of the data collected in this article is not high, and it is not possible to accurately predict long-term development and unexpected situations. The market trend of the catering industry is also highly volatile. Therefore, it is still necessary to combine financial conditions and detailed company information to make judgments.

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