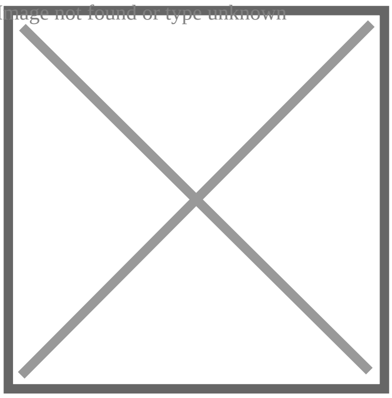
Image not found or type unknown



1 Undervalued Growth Stock to Gift Yourself This Holiday Season

Description

It’s the most wonderful time of the year, especially for investors looking to ride the Santa Claus rally to new highs. With the holiday cheer in the air, it’s worthwhile to do some Christmas shopping for your portfolio, since there are still ample top-tier growth stocks that are trading at discounts to their intrinsic values at current levels, even after the incredible run that the broad market enjoyed this year.

Although such growth stocks may not seem cheap based on traditional valuation metrics, I believe many are undervalued when you consider the explosive long-term growth potential behind the names. Very rarely are high-quality, long-term growth plays trading at levels with their slower-growing counterparts, so it’s important to keep this in mind as you go bargain hunting for beaten-up growth gems.

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) is a fine example of a fantastic growth business that’s trading at a discount this holiday season. Shares are down over 10% from all-time highs at the time of writing, thanks in part to various short-term concerns that I believe will be forgotten about as we head into a new year. The stock has been oversold of late, and with no real reason for the recent pullback, I believe shares of Restaurant Brands are a gift from Mr. Market to growth investors who choose to pull the trigger on the stock’s recent dip.

Sure, there are a handful of issues surrounding the company, but none of them are detrimental to the long-term fundamentals of the business, and in a few years, this dip will be nothing more than a tiny blip in the bigger scheme of things. I believe the general public is overreacting to short-term issues, but that’s a good thing for value-conscious growth investors.

It’s not a mystery that Tim Hortons franchisees haven’t been happy with management’s excessive cheapness lately, but it’s important to note that management has already taken steps to repair its relationship with franchisees. Costs of supplies were reduced to go with an increase in the cost of goods sold. These moves will allow franchisees to keep more cash in their wallets, even in select markets experiencing minimum wage hikes.

Given promising menu innovations for the holiday season and the pricing power behind the powerful

Tim Hortons brand, I don't believe comps will lag for an extended duration of time.

Burger King is an incredibly powerful international fast-food brand, with Tim Hortons and Popeyes that are going to be following in the King's footsteps. Tim Hortons and Popeyes are already strong brands in their native markets, and I suspect that over many years, both these brands will eventually reach the star status that Burger King has.

It's important to remember that international growth of a fast-food brand is not as easy as expanding and boosting marketing initiatives in the target market. There are a tonne of variables to consider, but 3G Capital has shown many times in the past that it can arrive at a magic formula for expansion and comps growth. As time goes on, 3G Capital will learn more about its new brands and target markets, and that means ample growth opportunities for decades to come.

Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/10
Date Created
2017/12/05
Author
joefrenette