This Controversial Growth King Just Clocked in a Solid Quarter That Could Spark a Rally to New Highs

Description

As a smart, value-conscious, long-term investor, it's become as important as ever to have the ability to tell the difference between short-term noise and an event that could be a detriment to a long-term investment thesis. If you can recognize noise, ignore it, or use any induced dips as buying opportunities, you'll become very rich over the long haul once the general public forgives or forgets the situation that's been causing a ridiculous amount of drama.

As a new investor, when you're in the heat of the moment, you may lose a bit of confidence in your investment due to the buzz surrounding a particular issue. Such issues could derail the investment theses of many investors, but you need to decide for yourself whether or not an issue affects the way you see a company in the grander scheme of things.

Consider **Spin Master Corp.** (TSX:TOY), a firm that was under attack from in the media following an embarrassing manufacturing flaw in the Hatchimals line of toys back in December 2016. Hatchimals was the hottest toy to hit the market and was comparable to that of Cabbage Patch Kids, Tickle Me Elmo, or Furby. Hatchimals were scooped off shelves in what seemed like an instant, and if you were a parent, you were likely to feel like Arnold Schwarzenegger's character in the film *Turboman.*

What happened? A great deal of Hatchimals weren't hatching, and that ruined Christmas for many kids. When it comes to high-tech gadgets, glitches happen, but the general public was furious, and it resulted in a fat class-action lawsuit that caused many weak-handed Spin Master investors to throw in the towel. Fast forward to today, and shares have appreciated over 70% in just over a year. Many can't even recall the debacle, since the company has been firing on all cylinders in the growth department. That was just one example of short-term noise which produced an attractive long-term entry point for investors.

Today, I think there's a tonne of short-term noise surrounding **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) and the situation going on at Tim Hortons locations in Ontario. Even if you're not a follower of financial media, you've probably heard that the chain is under fire following a franchisee move to combat minimum wage hikes in Ontario.

It's a story that I believe was blown way out of proportion and has produced a buying opportunity in one of the best Canadian dividend-growth kings out there. I'd stated that the shares were trading at a huge discount, and ultimately, the company's earnings would dictate the direction of the stock.

Solid earnings beat could spark a recovery to all-time highs

The company rocketed ~6.2% on Monday following the release of its better-than-expected Q4 earnings results. Tim Hortons saw same-store sales flatline, yet again, but Burger King led the pack, as the company clocked in a $0.66 EPS, crushing the earnings consensus by $0.09.

Restaurant Brands is expected to experience earnings growth in the high double digits over the next three years, so I do not see the stock remaining depressed for very long. For 2018, analysts project 28.6% in EPS growth, which will result in major share price gains to go with a whopper dividend.

Despite the solid quarter, Restaurant Brands shares are still oversold thanks to the Tim Hortons noise and the recent market-wide pullback. The stock is still down ~13% from all-time highs, but I think the recent report could be the start of a sustained rally back to (and maybe above) all-time highs.

Bottom line

Sure, it's easy to get lost in a near-term issue, but remember, as an investor, you need to focus on the overall business fundamentals and the long-term outlook. If you sell Restaurant Brands today because you feel strongly about the Tim Hortons fiasco, you may end up kicking yourself in a year from now once shares have soared back to new highs.

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Date
2025/08/26
Date Created
2018/02/17
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