Why These 2 Top Stocks Got Pounded on Monday

Description

These days, is it even news anymore when the **S&P 500** reaches a new record?

The latest all-time high wasn't necessarily a happy development for every company, of course. Due to negative developments that were reported as the market was reaching its peak, a pair of familiar stocks were hit with investor sell-offs. Here's a brief look as to why, and whether they are worthy of consideration now that they're cheaper.

Nokia

Nokia (NYSE: NOK) is a poster child for a once high-flying tech stock grounded by unwise business decisions and determined competition. Since effectively ceding the smartphone space to the likes of **Apple** and others more than a decade ago, Nokia has struggled not only to succeed, but to stay relevant in a market that often shifts with blazing speed.

This was brought into stark focus late last week when the company made significant cuts in its guidance and suspended its dividend when unveiling its latest quarterly results.

Now, these worrying moves don't necessarily mean its current business is hurting; both were made because Nokia is planning large-scale capital investments into promising areas for growth, specifically 5G networking.

In other words, Nokia is placing a big bet that it can become a player in 5G, and it's not going to take the path of Mature Tech Stock Producing Net Profits and Pumping Out Dividends. But given the sell-offs in the stock over the past few days, of which Monday's 5% drop was the latest, investors don't believe Nokia can succeed with this approach.

They might have something there. Retrenching for an assault on 5G seems like a late-inning rally. The technology has been in development for quite some time, and some of the biggest and toughest competitors in tech have been gearing up for years to take advantage.

So while it's sensible to go for this big prize, Nokia might not be a good vehicle for investors to buy into. Yes, the price fall in Nokia stock over the past few days might make it more attractive, but I'm not sure there's much upside in store for this fallen angel.

Restaurant Brands International

Monday wasn't a very tasty day for shareholders of restaurant chain operator **Restaurant Brands International** (NYSE: QSR). The stock slumped by nearly 4% on the day.

The clear reason why was quarterly earnings, which, although not bad, weren't inspiring enough to pull the company ahead of its fast-casual segment competitors.

For RBI's Q3 of fiscal 2019, the company booked $1.46 billion in net sales, which was 6% higher on a year-over-year basis and generally in line with analyst estimates. Meanwhile, non-GAAP (adjusted) net profit saw a more robust 13% rise to $337 million ($0.72 per share), yet like net sales, this essentially met analyst projections.

Of RBI's three business units — Canadian coffee mecca Tim Hortons, classic fast-food joint Burger King, and the specialty Popeyes — only the former saw a drop in sales of restaurants that have been open for a year or more. This decline wasn't major — it was 1.4% — while Burger King's result was in the black at almost 5% and Popeyes approached 10%.

The problem is, Tim Hortons is far and away the most important of the three for RBI, responsible for around 60% of RBI's revenue. So at least to some extent, as that unit goes, so goes investor sentiment in RBI.

Outside of **McDonald's**, which has done a much better job than anyone had a right to expect in cutting costs and bringing traffic into its restaurants, traditional fast-food operators have struggled in recent years. Many fast-casual restaurants offer healthier food served just as quickly as their more traditional rivals, in environs that are often cozier.

I think RBI is pretty well managed, and has done a good job getting a bit ahead of food trends (witness the recent rollout of the alt-meat Impossible Burger in Burger King restaurants). Analysts are predicting better profitability, with an average estimate of 9% in per-share net profit growth from this fiscal year to the next.

But even with Monday's decline priced in, RBI still trades at a forward one-year PEG ratio of over 2.5. This is high, especially considering that the company operates in a less-popular segment of the restaurant market, and its growth prospects aren't particularly strong.

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