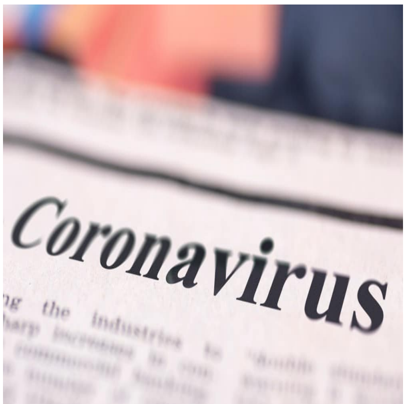

A Dividend Heavyweight That Won't Stay This Cheap Forever

Description

2020 has been an unkind year to those of us who were 100% invested in the markets.

Not only did the stock market crash, but liquidity dried up across the board, causing bonds, gold stocks, and many other safe-haven assets to sell off in the rush for cash. Many investors were over-leveraged, and when the margin calls came in, they had to sell, making their paper losses very real. This showed once again, that there are no substitutes for cold, hard cash.

If you were one of those investors who held some cash on the sidelines during the market's escalator ride up, you now have an opportunity to pick up some of the shares that other investors were forced to sell amid one of the worst cash crunches in recent memory.

In this piece, I'll look at one TSX-traded stock that I believe is trading at a 40% to 50% discount to my estimate of its intrinsic value.

A dividend growth king in the making

Without further ado, enter fast-food firm **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). The stock has become so cheap after its 47% drop that I see a significant margin of safety to be had in the $50 to $60 range.

The fast-food kingpin has three of the most powerful brands in the industry in *Burger King, Tim Hortons*, and *Popeye's Louisiana Kitchen*. The last of these made a tonne of noise in its last quarter before the pandemic sent the restaurant industry into a tailspin.

The coronavirus crisis will cause an unprecedented collapse in same-store sales growth (SSSG) numbers across the entire restaurant industry. For the next several quarters, restaurant operators are going to fall under tremendous pressure, as people stay home to prevent the spread of the deadly COVID-19.

Eventually, the virus will be under control, and we'll start dining in at restaurants again. But for now, there's likely to be much more pain ahead. Sadly, many restaurants will likely go under, but QSR won't be one of them. It has deep pockets that'll help the firm weather the storm. Who knows? There may even be pent up demand to go out to the local *Popeye's* to get a taste of the legendary chicken sandwich once things return to normal.

Long-term investors should treat the recent collapse in shares of QSR as a chance to get into the wonderful business at a potentially lower cost basis than Warren Buffett himself.

Foolish takeaway on Restaurant Brands

QSR stock has never been this cheap before, with shares trading at 9.7 times next year's expected earnings, 12.8 times cash flow, and 4.8 times book. These figures are all substantially lower than the stock's five-year historical average multiples of 35, 21.2, and 7.1, respectively.

Over the near- to intermediate-term, I expect that QSR will see its numbers fall off a very steep cliff. But with its long-term thesis still intact, I wouldn't be surprised to see the name make an abrupt return to its all-time highs once we get some good news.

The stock also sports a safe 5.1%-yielding dividend that will reward investors while they wait for things to normalize.

Stay hungry. Stay Foolish.

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