Market Crash: Buy This Beaten-Up Dividend Stock Before it Recovers

Description

Restaurants are at “ground zero” of this coronavirus crisis market crash. Dining in is no longer possible at many of our favourite restaurants. While take-out and delivery can still keep the cash flow coming in, it’d be foolish (that’s a lower-case ‘f’) to not expect a massive decline in comparable-store sales for the first two quarters of 2020.

The airlines are also directly in the crosshairs of COVID-19. They are poised to suffer an unprecedented revenue decline, likely north of 90% given the stringent restrictions in place to slow the spread of the deadly disease. Unlike the airlines, restaurants could be in for a rally that’s just as unprecedented once the economy reopens.

Moreover, fast-food restaurants are precisely where you’d want to be if you’re execting a potentially pronounced global recession. Fast-food is an inferior good, and it’s probably going to sell relatively well in the post-pandemic era. Consumers will be trying to stretch every dollar as far as it can go.

A top bargain to buy before the market crash is in the rear-view mirror

When times are tough and money is tight, it’s hard to match the value proposition of Burger King’s value menu. That’s a huge reason why I’m a raging bull on shares of **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), the fast-food empire behind Burger King, Tim Hortons, and Popeye’s Louisiana Kitchen. The latter brand was making a tonne of noise with off-the-charts comps before the pandemic-induced market crash. But you’re unlikely to hear analysts tout continued comps growth for Popeye’s now that toilet paper has become more scarce than Popeye’s legendary chicken sandwiches.

Fortunately for long-term investors, I think that the chicken wars are far from over.

Once this pandemic is over, I expect to see a sharp rebound in sales numbers across all fast-food chains. Popeye’s could lead QSR stock past the $100 mark by the end of 2020, assuming there’s not going to be a second lockdown (and market crash) on a coronavirus resurgence. Popeye’s is arguably the best weapon for the chicken wars. Still, nobody seems to care about any company specifics right now because, like it or not, everything is going to be about the coronavirus until it's conquered.

In due time, company specifics will matter again, and Restaurant Brands will pick up where it left off, probably stronger than before now that management has had an opportunity to redevelop a strategy to turn the struggling Tim Hortons brand around.

If you're a long-term investor who's gearing up to invest for years after the coronavirus is gone, I'd bag a restaurant bargain today, preferably a cheap one with a tonne of brand equity.

Foolish takeaway

Restaurant Brands has some of the best brands in the business, and the stock sports a 4.5% dividend yield. This will likely revert below the 3% mark once the stock has fully recovered. Investors can lock in today while the hardest-hit market crash bargains are still available.

The stock is absurdly cheap and with ample liquidity the name will rise again once this pandemic ordeal is over. It's a defensive dividend growth play that can hold its own in a recession. I won't be surprised to see the stock back at all-time highs once it's safe to go outside again.

Stay hungry. Stay Foolish.

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