



STRONG BUY: 4 Reasons Why This TSX Stock Is Headed for a Miraculous Rebound

Description

I've been a raging bull on shares of my favourite **TSX** stock **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) throughout the COVID-19 pandemic.

I've been an aggressive buyer of the dividend stock on the way down, and I'll be looking to back up the truck again should another decline be in the cards in the second half of 2020. The restaurant industry has undoubtedly been decimated by COVID-19 shutdowns and social-distancing practices that have shuttered dining rooms.

Despite the pressures facing QSR and its peers, I believe investors have been severely discounting Restaurant Brands' resilience through these unprecedented times and how quickly it could come roaring back, as pandemic-induced industry headwinds gradually subside.

Moreover, Restaurant Brands has compelling catalysts that could propel QSR stock above and beyond pre-pandemic heights much sooner than most analysts on the Street expect. Even if the insidious coronavirus isn't eliminated or eradicated by a vaccine, a return to semi-normalcy will bode well for shares of the fast-food kingpin.

Here are four reasons why I'm bullish on QSR and am looking to grow my long exposure further (QSR already accounts for a whopping 10% of my portfolio):

The coronavirus pandemic is curbing competition within the restaurant scene

Yes, the pandemic has been a massive headwind for all restaurant companies. But some are more affected by others. Small- and medium-sized restaurants, as well as dine-in-focused establishments with limited access to additional liquidity, are in a crisis of their own, and many may not survive.

A fast-food behemoth like Restaurant Brands has been feeling the [pressure](#) too, but with technologies

(mobile ordering, drive-thrus, deliveries) in place to salvage sales amid these difficult times, and deeper pockets to weather the coronavirus typhoon, a firm like Restaurant Brands is destined to survive.

Once this pandemic passes, the restaurant scene will be less competitive and resilient chains like Burger King, Popeyes, and Tim Hortons could be in a spot to get a sales boost, with fewer substitutes available in any select geography.

Warren Buffett once said, "It's only when the tide goes out that you learn who has been swimming naked." Restaurant Brands had its trunks on the whole time, and it'll be a long-term beneficiary of a less competitive restaurant landscape.

Popeyes' Chicken Sandwich: The secret weapon to win the fried chicken wars

Before the coronavirus pandemic propelled us into a recession, the hot topic in the restaurant scene was the fried chicken wars. Popeyes' legendary chicken sandwich was selling out, and it was bolstering the chain's comps. As Restaurant Brands gets its supply chain in order, it'll be ready to serve chicken sandwiches, and they'll probably sell like hotcakes, even amid this pandemic.

The legendary chicken sandwich-fuelled U.S. same-store sales (SSS) comps surging over 40% in the third week of May. The unprecedented success of the menu offering is no fluke. As it rolls out in Canada, Popeyes is in a spot to continue bucking the trend of negative SSS comps and do the heavy lifting for QSR, whether or not dining room reopenings happen in the third quarter.

Don't underestimate the power of Popeyes' chicken sandwich. It could be a real needle mover that could help QSR rise above and beyond.

Tim Hortons' turnaround is brewing

Finally, Tim's woes may be coming to an end. This pandemic has bought management the time to step back and reconsider where it's headed with the iconic Canadian chain that's lost its way in recent years. Tim's management team is evolving, and they're looking to win back the business of Canadians through innovation.

While there's no guarantee that a Tim's turnaround will happen anytime soon, I am a fan of the upside potential and think the woes are mostly now in the rear-view mirror.

Fast-food is an inferior good that'll see an increased demand in a recession

Finally, fast-food demand tends to go rise in times of economic hardship. Many layoffs could prove to be permanent, and as people seek to take every dollar as far as it can go, fast-food chains are in a spot to face a potentially miraculous [recovery](#) out of this pandemic.

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1. Coronavirus
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