Buy Alert: The Top TSX Stock You Should Buy in November

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is an easy top pick as a primary beneficiary of a post-pandemic rally. The parent company of a range of quick-service restaurants, including Tim Hortons, Burger King, and Popeyes Louisiana Kitchen Restaurant Brands, has been directly impacted by the coronavirus pandemic — to a greater degree than many, including me, initially expected. Investors should take note and pick up this stock as early as November.

In particular, Tim Hortons has been hit the hardest among the company's three banners, showing a same-store comparable sales decline of approximately 25% as of mid-2020. Restaurant closures and a slowing of a new international locations opening as hurt the market's overall near-term expectations for Restaurant Brands.

These recent results reflect the severity of the impact of this global pandemic. Also, they reflect weakness in Tim Hortons's same-store sales growth prior to the pandemic. With growth simply not materializing as expected for some investors, many have chosen to pursue other opportunities that look more attractive.

Tim Hortons's results seem to take over much of the discussion on Restaurant Brands stock, despite outperformance by the company's other core banners. This outperformance comes in large part due to menu innovation and a strong strategic focus by the company's management team.

Growth, growth, growth!

The inclusion of plant-based options such as the Impossible Whopper of Burger King as well as the launch of the incredibly successful chicken sandwich at Popeyes has generated impressive results at Restaurant Brands's other banners.

Growth across these two banners is one of the key drivers I'd suggest investors consider when looking at the company as a whole. Canadian investors typically think of Restaurant Brands merely as the parent company of Tim Hortons rather than taking a holistic view. This perspective could be costly, in my opinion.

Two things to keep an eye on

I think there are two main factors that could help propel the Tim Hortons's brand back to growth coming out of this pandemic. The first, and perhaps most important, metric investors should pay attention to is new location openings in emerging markets such as China.

The vast majority of Restaurant Brands franchises are owned by franchisees. Therefore, the capital-light expansion model of this business could boost growth much faster coming out of this pandemic. Real estate prices globally are likely to take a hit. Therefore, I think we could see a period of outsized growth in terms of the number of new locations popping up around the world, as franchisees look to cash in on lower lease rates.

At Tim Hortons specifically, I think there is also a tremendous amount of room for menu innovation and other strategic measures to reinvigorate the brand and entice existing customers to return more frequently while attracting new patrons. Good management guidance is key, and I think the company's management team is up to the task.

Bottom line

Restaurant Brands has an excellent track record of creating buzz around its product offerings, and doing so at Tim Hortons is simply the most prominent item on the company's checklist today. The reality that Restaurant Brands also has the balance sheet and backing to acquire another banner provides another level of optimism around growth on the horizon as well.

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