Buying This Stock on its Latest Dip Could Make You Rich

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) makes a good case for why it could be one of Canada's most undervalued blue-chip stocks. The quick-serve restaurant industry has been decimated by the COVID-19 crisis. It's lost a tonne of business amid the pandemic, and it's the kind of business that you really can't get back, unless you see people doubling their orders on their Tim Hortons double-doubles once the pandemic concludes.

To make matters worse, Restaurant Brands's management team hasn't been all that it can be, with sluggish numbers at Tims and Burger King dragging down the firm's latest quarter, while many of its peers, including **McDonald's**, have already had the opportunity to demonstrate their pandemic resilience through strength in mobile, delivery, and drive-thru.

With the exception of Popeyes Louisiana Kitchen, Restaurant Brands has been lagging its peers amid COVID disruptions. With ample progress on mobile, delivery, and drive-thru initiatives going on behind the scenes, though, I don't suspect QSR will lag its more resilient quick-serve peers forever. Heck, I think QSR could gain a considerable amount of ground over the next few quarters, even if government-mandated lockdowns are in the cards.

Medium-term catalysts on the horizon

The company has reportedly been modernizing its drive-thru experience across its banners, with over 10,000 North American locations to be spruced up by mid-2022. Moreover, Restaurant Brands also plans to roll out over 40,000 digital screens with "predictive selling" technologies and better integration with mobile. The modernized drive-thrus are also fully equipped with remote and contactless payment devices, making for a more comforting experience, as this horrific pandemic continues dragging on.

There's no question that Restaurant Brands has lagged the top dog in McDonald's regarding mobile, delivery, and drive-thru. And it's paid the price, as shares have been ravaged, while McDonald's has broken through its pre-pandemic highs. It would have been nice if Restaurant Brands had the modernized infrastructure in place before COVID-19 hit. However, I think it's better for the firm to be late to the party than not to have bothered with such modernization initiatives.

Come mid-2022, Restaurant Brands will have a powerful mobile, delivery, and drive-thru presence. And even if the pandemic concludes by then (I don't think it will), the company will bring its newfound strengths into the post-COVID world, and that could give a huge lift to the stock as the firm corrects its past shortcomings.

Modernization efforts to pay huge dividends

I've had a glimpse at Tim Hortons's new-and-improved drive-thru, and I must say that I'm pretty impressed. The "predictive selling" technologies, contactless payments, and all the sort, I believe, will take Restaurant Brands to the next level and think that substantial multiple expansion could be on the horizon for the sluggish fast-food firm that many investors have given up on amid the pandemic.

Restaurant Brands may not be the most pandemic-resilient quick-serve play in the world. But after its modernization roll-out, count me as unsurprised if the stock becomes referred to by folks on the Street as a "tech stock that just happens to sell burgers, doughnuts, or fried chicken."

Foolish takeaway

Restaurant Brands is no longer a post-COVID play; it's a name that's poised to thrive before and after COVID is conquered. Add a potential turnaround brewing at Tim Hortons into the equation, and I think QSR is one of the most undervalued stocks in the entire TSX, and I'm not saying that lightly.

With shares retreating after the recent weak quarter, I'd say now is the time to load up on shares. Restaurant Brands has a plan to improve upon its pandemic resilience, and a valuation that I think is too cheap to ignore.

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