



VALUE ALERT: Why Restaurant Brands Stock Is Severely Undervalued Right Now

Description

I would say it's pretty hard to find value in today's stock market. Indeed, stocks are trading at ridiculous levels relative to historical norms. However, **Restaurant Brands** ([TSX:QSR](#))([NYSE:QSR](#)) happens to be an outlier right now. This is a company with world-class brands and a solid historical track record of growth. I think as far as growth at a decent price goes, this is a severely undervalued option today.

These world-class brands deserve a bid right now

Warren Buffett has famously said he'd rather buy an excellent company at a decent price than a decent company at an excellent price. Accordingly, his investment style has shifted in recent years to exploring the more qualitative, but very important, durable competitive advantages of the companies he's interested in investing. One of the key components of a durable competitive advantage happens to be a company's brand.

In this respect, Restaurant Brands is a winner. The company's three core banners are North American mainstays for the average Joe. I think there's a tremendous amount of value that exists in these brands that is not being reflected right now in the company's stock price. Indeed, if one is concerned about volatility on the horizon, owning companies with great brands and durable competitive advantages is the way to go. I think Restaurant Brands deserves top marks in this regard.

Unfortunately, there's a lot of work for Restaurant Brands to do to improve

Yes, Restaurant Brands owns three world-class banners. However, I think this is a company that has a lot of work in front of it to get back to its growth trajectory of old. In particular, I think Restaurant Brands's Tim Horton's banner needs an overhaul right now. Underperformance in this banner has been an anchor weighing on this stock for some time. Until the problems around menu innovation and drive-thru upgrades are completed, there's likely to be headwinds for this stock.

Fellow Fool contributor Joey Frenette has lamented such problems in a [recent piece](#). He wrote: "I think investors are heavily discounting Restaurant Brands's longer-term potential in the post-COVID world. Restaurant Brands will look to play catch up to some of the industry leaders who were quick to embrace the next generation of ordering tech. And once QSR catches up, I suspect a huge re-valuation to the upside could be in the cards."

I couldn't agree more. I think this is a long-term play on the value of the brands owned by QSR, and the company's long-term growth potential. Additionally, I think this is an undervalued stock right now. Investors looking for growth at a reasonable price ought to consider adding Restaurant Brands to their watch list today.

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