



1st-Half 2021 TSX Laggards Could Become 2nd-Half Kings

Description

Fast-food stud **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) and Quebec-based telecom **Quebecor** ([TSX:QBR.B](#)) trailed the **TSX Index** in the first half of 2021.

Shares of QSR and QBR.B posted meagre 5.5% and 0.8% returns, respectively, year to date.

Despite potential reopening [tailwinds](#) that are already starting to kick in, both firms remain unattractive through the eyes of Canadian retail investors. In any case, I view the relative underperformance in both proven earnings growers to be nothing more than an opportunity for contrarian thinkers who want shares of a great business at a reasonable valuation.

After enduring underwhelming results in the first half of 2021, the dividend yields of both TSX laggards have swollen considerably.

At the time of writing, QSR and QBR.B stocks both yield around 3.3%. As COVID-19 headwinds abate, I expect both dividends to [grow at a solid rate](#) over the next 10 years and beyond. So, whether you're looking for dividends, dividend growth, or deep value, consider stashing either name in your TFSA (Tax-Free Savings Account) if you've got the space.

Restaurant Brands International

Restaurant Brands has been acting sluggish for well over a year now. The stock bounced back to \$80 and change and proceeded to consolidate for a full year. In technical analysis, the longer a stock flatlines, the greater the pop could be once the "coiled spring" is finally released. With COVID-19 headwinds slated to pullback over the coming weeks and months, I think QSR is nearing the point of springing much higher.

Undoubtedly, Tim Hortons has acted as the “weakest link” of the QSR trio. The once-cherished Canadian coffee and donut chain had a brutal time dealing with the worst of COVID lockdowns. But its problems weren’t solely because of the pandemic or issues outside of management’s control. For years, Tim Hortons has been a relative laggard, and Canadians have spoken with their wallets.

Franchisee disputes and aggressive but unsuccessful menu “innovations” have not helped Tim Hortons thrive under the leadership of QSR. In any case, I wouldn’t at all be surprised to see the firm pivot post-COVID to get comps back in the green. Undoubtedly, the end of this pandemic will come with favourable year-over-year comparables.

But how long will the impressive comps last? Given the profound success at the number-three chain, Popeyes, and big changes going on at Burger King, I’d bank on a Tim Hortons revitalization at some point over the next three years.

In prior pieces, I’ve suggested that Tim Hortons should go back to its roots. Forget the menu innovations and focus on the basics. Tim Hortons isn’t a burger joint; it’s a coffee and bakeshop! In due time, I think management will get it right. But you’ll want to buy shares before the fact to get the most value and yield out of the stock.

Quebecor

Quebecor is a wonderful business with a remarkably robust operating cash flow stream. In prior pieces, I’ve praised the company for staying within its circle of competence in Quebec rather than looking to grab the highest-hanging fruit. Undoubtedly, Quebecor’s excellent operating performance numbers are not by mistake. The \$8.1 billion company has more than enough room to grow in Quebec, especially as 5G technology becomes more widely adopted.

Like QSR stock, Quebecor has been quite uneventful over the past year. Shares have flatlined for around two-and-a-half years now. Once it finally springs higher, patient investors will finally be rewarded. And those late to the party will have to pay a higher price for a low, compressed yield that I expect could fall below the 2.5% mark.

Even if you’re not familiar with Quebecor, I think the stock is too cheap to ignore here. I certainly find the name to be a better value than most of the Big Three players out there. My prediction? Quebecor will outpace its peers in the second half of the year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QBR.B (Quebecor Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)

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