2 Top Canadian Restaurant Stocks That Could Soar in the 2nd Half of 2021

Description

Canadian restaurant stocks have endured a rather muted recovery from the horrific crash of 2020. While the Delta variant of COVID-19 poses a serious threat to the great reopening, I'd argue that at these valuations, many TSX-traded restaurant stocks are way too cheap for their own good, even if the pandemic drags on into 2022 and maybe even 2023.

You see, some of America's top restaurant stocks are busy making new highs over the past week, despite Delta woes. Many top restaurants are going to rise out of this pandemic far stronger than they entered it.

It's going to be tough for COVID-19 to derail the restaurant recovery

Fast-food firm **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), the company behind Tim Hortons, Burger King, and Popeyes Louisiana Chicken, has been funnelling money into "modernization" initiatives to get up to speed with its top-performing peers, like **McDonald's**, which have executed well on drive-thru, delivery, and digital (the three D's) to do well, despite varying levels of COVID-19 restrictions across various localities.

It's these investments in the three D's, specifically delivery and drive-thru, that will allow restaurants to continue their recovery, regardless of when the pandemic ends or how many lockdowns we'll be hit with between now and the end of this pandemic.

In short, I don't think variants of concern will be able to stop the quick-serve restaurants, as they look to capitalize on an environment that may very well be less crowded.

At this juncture, Restaurant Brands looks poised to pop after around a year of consolidation in the low-$80 range. Like a coiled spring, the longer it's left compressed, the greater and more sudden the upside pop.

The broader fast-food sector has left Restaurant Brands behind, for now. But going into year-end, I'd be astonished if the stock isn't making new highs, as many of its peers have. The company is doing many things right, and its efforts will eventually pay dividends, even if new variants leave us stuck in a pandemic for far longer than expected.

Undoubtedly, the restaurants are some of the lower-risk reopening plays in my books.

Restaurant Brands stock looks ridiculously cheap, despite several catalysts that could be right up ahead and its relative resilience in the face of further lockdowns.

What about a lower-risk restaurant stock?

For those worried that variants could drastically impact vaccine efficacy rates, a name like **Pizza Pizza Royalty** (TSX:PZA) may seem like a safer bet.

The 5.7%-yielding royalty play is up 14% from its 2020 high on the back of higher pizza sales. Undoubtedly, delivery has been a major strength of the pizza plays like Pizza Pizza, and that's a major reason why the stock was far quicker to recover from its pandemic lows than the likes of a QSR.

Still, Pizza Pizza is off a country mile (around 36%) from its 2017 highs of $18 — highs that may not be seen for at least another few years.

Regardless, Pizza Pizza seems poised to be an all-weather type of stock that will do well whether or not more lockdowns loom.

CATEGORY

1. Investing

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2. TSX:PZA (Pizza Pizza Royalty Corp.)
3. TSX:QSR (Restaurant Brands International Inc.)

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