



2 Comeback Stocks That Could Turn it All Around

Description

Two iconic Canadian stocks were casualties at the onset of the global pandemic in March 2020. **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) were also fixtures in Warren Buffett's portfolio until COVID-19 struck.

Berkshire Hathaway immediately dumped the quick-service restaurant chain for fear the shutdowns will kill the business. Buffett's conglomerate kept the [oil bellwether](#) but eventually sold the shares early this year. Despite losing the support of the legendary investor, RBI and Suncor endured the health crisis. As the fourth quarter of 2021 draws near, the [comeback stocks](#) are on track to deliver more profits and see further growth.

Long-term sales growth on the horizon

I'm not sure if Warren Buffett regrets giving up on RBI at the first sign of trouble. In the first half of 2021, revenue growth was 37% versus the same period last year. Management reported an adjusted net income of US\$577 million, or 61% higher than the first half of 2020.

RBI's CEO José E. Cil said, "We believe we are well positioned to drive sustainable, long-term sales growth across the business and to continue enhancing shareholder returns." Cil also confirmed obtaining a \$1 billion share-buyback authorization for \$1 billion over the next two years. He added it demonstrates confidence in the value-creation opportunity going forward.

Cil sees the three iconic brands, scalable business model, expanding digital strength, and dedicated franchise partners as RBI's growth catalysts. However, management is wary of the full future impact of the pandemic on the business. The bright spot is the 60% growth in domestic digital sales.

According to Cil, 96% (on average) of restaurants worldwide were open in Q2 2021. There should be a vast improvement in the financial results in the coming quarters. Thus far, in 2021, RBI's gain is only 4%. At \$80.54 per share, the dividend yield is 3.3%. **Royal Bank of Canada** and Bill Ackman's Pershing Square Capital are among the institutional investors in RBI.

Undervalued oil bellwether

Suncor Energy's president and CEO Mark Little announced that the company increased shareholder returns by around \$1 billion due to the improved cash generation in Q2 2021. He revealed it represents 40% of Suncor's funds from operations. The game plan in the back half of 2021 is to reduce debt further.

In the first half of 2021, Suncor reported \$1.7 billion in net earnings compared to the \$4.1 billion net loss in the same period last year. Little added that funds from operations increased 384% to \$2.36 billion in the second quarter alone. Suncor spent \$643 million for share buybacks (23 million common shares) during the quarter and paid \$315 as dividends.

The energy stock trades at \$23.47 (+13% year to date) and pays a \$ 3.58% dividend. Based on analysts' forecasts, Suncor's return potential in the next 12 months is 57.65%. Some investors believe the oil sands king is grossly undervalued. Buffett buys [stocks that trade below their intrinsic values](#). However, we can't guess if Berkshire will pick up Suncor Energy again.

Value stocks

Warren Buffett helped Restaurant Brands International and Suncor Energy immensely in previous years. His conglomerate earned substantial profits from them. The two stocks were also his only Canadian value stocks. Fortunately, the comeback stocks are most likely to turn it around with or without this long-time supporter.

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2. NYSE:SU (Suncor Energy Inc.)
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