Restaurant Brands (TSX:QSR) Earnings Report: Is the Stock Worth Buying?

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) released its Q3 2021 earnings report almost two weeks ago at writing, and it led to the stock beginning a deep dive into a sell-off frenzy that continues right now. At writing, the stock is trading for $71.24 per share, down by almost 7% from October 22, 2021.

The broader market has generally performed well throughout 2021, barring a few rough patches. The recent most sell-off frenzy for Restaurant Brands stock has left many investors wondering whether they should consider unloading any shares of the company they own or holding on to dear life despite the significant downturn for the stock in such a short time.

Today, we will take a closer look at the stock to see if it has become an undervalued stock due to the sell-off or if the correction was overdue and reflects a fair representation of the company's long-term potential.

The possibility of moving past the pandemic

COVID-19 and the ensuing lockdown measures to curb the spread of the novel coronavirus have wreaked havoc across several industries worldwide, including disruptions in supply chains that will become more apparent during the incoming holiday season.

It is just a matter of time until we move into a post-pandemic world. The end of the global health crisis — or at least a significant reduction in the threat it poses — could also mean the end of the shortages and supply chain disruptions that have affected many companies.

Businesses that have managed to adapt to the situation and retain a relative degree of operational stability will be well-positioned to ride the unpredictably choppy waters through to the other side. Unfortunately, many companies will still feel the impact of the pandemic-induced headwinds. Restaurant Brands International stock is currently facing such challenges today.

The short-term challenges despite solid long-term prospects

Labour shortage issues created by pandemic-induced conditions have taken a toll on Restaurant Brands International. The fast-food giant has three massive names under its belt: Burger King, Popeyes Louisiana Kitchen, and Tim Hortons.

The fast-food giant saw its revenues rise by over 11% year over year to US$1.5 billion in its latest quarter, representing an improvement in its sales and overall revenues during the quarter. However, its quarterly revenues fell short of analyst expectations. Despite COVID-19-related concerns, almost all of the company's restaurant locations worldwide remained open during the quarter.

But it has not all been bad news for RBI stock. The company's adjusted earnings rose by almost 12% in the quarter, slightly beating analyst expectations. RBI stock also reported a net profit margin increase from the previous quarter. Despite decent long-term prospects and solid fundamentals, short-term challenges created by supply chain disruptions and labour shortages could be major contributors to its significant downturn.

Foolish takeaway

The pandemic has not been easy for restaurants and many other businesses. RBI stock has not let the challenges phase its expansion plans. The company plans to add more locations to increase its restaurants from 27,000 worldwide to 40,000 within the next decade.

The growth strategy appears to be aggressive and could contribute to medium-term issues. However, the plan suggests the potential for stellar shareholder returns in the long run. As the stock trades for a massive discount from its pre-pandemic levels, it could be worth buying right now despite the recent sell-off.

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