



1 of the Best Buyable Canadian Stocks That Took a Hit to the Chin in 2021

Description

2021 was a good year for many Canadian stocks that moved on from the vicious 2020 stock market crash. Still, the year was quite volatile, with much in the way of sector rotations going on behind the scenes. High-multiple growth stocks were clobbered in the first half, as rates rose. Although rates have stabilized, partially due to the recent discovery of the Omicron COVID variant of concern, there appear to be limited supports for high-multiple names. Undoubtedly, higher rates in the future may not be all that's weighing them down.

Indeed, their valuations got stretched, and now that many such names are rolling over, investors should be [cautious](#) when attempting to catch a fast-falling knife. Remember, a steep decline in a share price does not necessarily indicate undervaluation. Corrections and vicious plunges happen for a reason, and the magnitude of such declines may not be fully factored into some growth stocks that previously sported pie-in-the-sky multiples.

Not all Canadian stocks had a good 2021

Some may compare the recent pullback in high-multiple names to the 2000 market crash. Charlie Munger recently drew on [comparisons of certain names to the frenzy of the late 1990s](#). While such bold comparisons may be scary, investors need not panic. By staying with companies that you know to be undervalued, you can steer clear of wreckage that will mostly affect stocks that doubled up many times over, with valuations that became increasingly difficult to justify. Stick with what you know, as Charlie Munger does, and you'll be all right, even if this high-multiple stock selloff is far from over.

While value stocks can be dragged down unjustly, as high-multiple names induce broader market weakness, such unjust pullbacks ought to be viewed as buying opportunities. In this piece, we'll have a look at one of the best value names that I believe is oversold, undervalued, and are likelier to do well, even as broader markets retreat into 2022.

Restaurant Brands International

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) is a fast-food giant that had another dreadful year, down around 4% year to date. Amid the chaos and ongoing COVID disruptions, the firm scooped up a fourth brand in Firehouse Subs in a deal worth US\$1 billion. Many Canadians are likely unfamiliar with the brand, but it holds promise, with great success in the limited geographies it operates in. Of course, it's hard to say if Restaurant Brands can replicate such success in new markets. But if Popeyes is any indication, I think investors ought to give management the benefit of the doubt, especially given the fairly reasonable price tag paid for the cherished brand.

In any case, I think investors are underrating the fast-food firm, especially as we inch ever so closer to a normal reopening type of environment. Sure, Omicron could weigh on coming quarters, but what's important is that QSR has a plan. The company is investing heavily in modernization efforts that will help it perform better in the new normal.

For QSR, it's better late than never. And investors, I think, have a lot to gain by jumping in at these valuations.

The bottom line

Restaurant Brands is a classic value stock with underrated growth prospects. The firm isn't just a roll-up of brands; it has a plan to grow each of its banners organically. For now, investors remain doubtful, as COVID headwinds pick up again. In time, though, the power of each one of the firm's brands will shine through. And once the tides turn in its favour, while its modernization investments pay off, don't be so surprised to see the stock make a move to a new all-time high.

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