My Top Value Stock Pick for 2022

Description

High-multiple growth stocks took a massive hit in 2021. Although the page has turned on a new year, investors shouldn't expect a sudden bounce back in such battered names anytime soon. Many high-multiple tech plays are still expensive and could stand to crumble further. Indeed, it's still hard to value them, given the likelihood that rates could rise substantially over the next three to five years.

Although I wouldn't shy away from growth, I would put in ample due diligence before making a sizeable bet on a hard-hit growth stock with nothing to show on the profitability front. Growth stocks with only sales and no earnings to show will stand to take the hardest hit to the chin if central banks are forced to raise rates at a much faster pace in response to elevated levels of inflation.

Why I prefer value and profitable growth over high-multiple growth in 2022

Unprofitable firms on the cusp of becoming profitable, though, may stand to be more resilient, even in the face of higher rates. In any case, the further one has to look into the future for profits, the greater the penalty of higher rates will be and the harder it is to value a said company. Indeed, the trajectory of long-term interest rates is hard to determine. Fortunately, investors need not try to evaluate high-growth companies amid their historic slumps, even if there is considerable upside if rates don't rise as fast as markets currently expect.

By sticking with easier-to-value companies that are profitable in the present, one will have an easier time formulating an intrinsic value estimate. Although there may not be as much upside as a battered growth stock if central banks were to adopt a more dovish stance on monetary policy, one can still do reasonably well, with less in the way of volatility and downside risks. Remember, investing is all about maximizing upside while limiting potential downside. To do so, one must look to names with wide margins of safety.

Restaurant Brands International: A cheap growth stock with

intriguing earnings growth prospects

Currently, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) stands out to me as a value stock that has one of the wider margins of safety out there. The company is incredibly profitable with promising growth prospects. COVID disruptions have caused the stock to lag the broader markets this year. And although it's hard to tell when the pandemic will end, the company is taking steps to better adapt to the new normal.

Labour shortages and dining room closures have hurt Restaurant Brands particularly hard, given its drive-thru and takeout capabilities paled in comparison to some of the leaders in the fast-food space, many of which are at fresh new highs.

I think recent COVID headwinds are more than baked in. The company has multiple growth drivers it can pull to take earnings growth into overdrive. Increasing store count, pushing forward with its international expansion, and acquiring new brands can always raise the growth ceiling over at QSR. For now, though, the company is keen on modernizing its existing stores. Such efforts should help the company's restaurants fare better in the new normal that may last far longer than many think.

Restaurant Brands is a great reopening stock, but it's one that can still fare well in the face of new COVID variants.

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