



## Top Investor-Favourite TSX Stocks to Avoid This Year

### Description

Inflation and interest rate raises have weighed terribly on markets this year. Canadian markets have fallen 12% this year, but some growth names have declined even 50-80%. As the macro picture is expected to create more uncertainties, stocks will likely trade more volatile towards the end of the year. Here are TSX stocks that could underperform — at least for the next few quarters.

### BlackBerry

Though **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) operates in some high-growth areas like IoT (Internet of Things) and cybersecurity, it has not seen growth translating into its financials. Its revenues have been on a constant decline for several years, and the bottom line has been quite unstable as well. As a result, BB stock has lost 45% in the last 12 months and 52% in the last five years.

Notably, such growth stocks witness terrible weakness in rising-rate environments. So, BB's fall this year is a consequence of both its weakening financials and rising interest rates.

BlackBerry reported its second-quarter (Q2) fiscal 2023 results on September 27. It reported total revenues of US\$168 million — a drop of 4% compared to the same period last year. Concerningly, its cybersecurity business is witnessing steep competition from several established players, which can be seen in its declining segmental revenues.

In the recently reported quarter, cybersecurity sales declined from US\$111 million to US\$120 million in the same comparable quarter. Its revenues in the IoT segment jumped to US\$51 million — an increase of 27% year over year.

BB stock could continue to remain under pressure, given its falling revenues and rising interest rates. It does not look too attractive from a [valuation](#) angle as well. So, it's better to re-examine the stock after a couple of quarters.

## Restaurant Brands International

The hospitality industry was among the worst-hit sectors amid the pandemic. **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) was no exception. Notably, the stock has not created any meaningful returns since the pandemic and could continue to underperform.

Restaurant Brands operates more than 27,000 restaurants spread over 100 countries. Its unique value proposition stands tall in inflationary environments. It might witness encouraging revenue growth amid full re-openings in the next few quarters.

However, its large debt pile could substantially dent its profitability. QSR had a total debt of US\$8.8 billion in 2016, which has now soared to US\$14.5 billion as of Q2 2022. Such debt indicates a higher outflow in interest expenses, ultimately weighing on its net income. Plus, its highly leveraged balance sheet makes it a risky play in the current rising interest rate environment.

Apart from the leveraged balance sheet, its average return on the capital ratio for the last five years comes to around 9%. Stocks with return ratios lower than 15% are generally considered non-investable.

## Conclusion

[Growth stocks](#) turn all the more volatile in rising interest rate environments. Both QSR and BB stocks might underperform, given their poor fundamentals, and that too in a challenging macro set-up.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

### TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:BB (BlackBerry)
4. TSX:QSR (Restaurant Brands International Inc.)

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