2 TSX Stocks I Wouldn't Think Twice About Buying at a Premium Price

Description

Bear markets aren't like the V-shaped corrections or mild dips we've encountered since the market bottomed in early 2020. Those who make money from buying in bear markets need to be willing to delay gratification, not just by a few trading sessions or weeks, but by months, even years. And they've got to be willing to take a hit to the chin and run the risk of being knocked down over a short-to medium-term timeframe.

Thriving in bear markets is all about delaying gratification

Whether dip-buyers will feel foolish (lower-case "f") for buying this bear market over the next 18 months remains to be seen. Regardless, I think there are worse times to put money to work if you're committed to staying invested over the timespan of 5-10 years.

Better prices could be in the cards tomorrow. And you can certainly wait for the better prices to come, as many investors seem to be doing these days. However, by passing on the deals you see today, you're also running the risk of having to pay more at a later date.

Though valuations could contract further as earnings begin to show signs of frailty, I'd argue that names like **Dollarama** (TSX:DOL) and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) are more than worth picking up at today's prices.

Dollarama

Dollarama isn't a cheap stock by historical standards, with shares trading just shy of 32 times trailing price-to-earnings (P/E). If anything, the discount retailing giant looks overvalued and ready to take a few steps back.

If there's no recession in 2023 or if it's milder than most expect, then Dollarama could certainly get dinged. And its multiple could fall closer to historical norms (think the mid-20 P/E range). That said, if the next year of earnings weighs on broader markets, Dollarama stock is a name worth paying for as it looks to continue driving earnings higher.

When times are tough, people want to save money, and Dollarama can easily buck the trend and soar in the face of a bear market (DOL stock has already done so this year!). Further, Dollarama's managers seem more than capable of delivering as they continue to expand their presence across Canada and in new markets of interest.

Restaurant Brands International

Restaurant Brands International is another company that I'd be willing to buy at a premium multiple. Unlike Dollarama, QSR stock trades at a considerable discount to the industry averages, with a 22 times price-to-earnings (P/E) multiple and a 2.6 times sales (P/S) multiple, both of which are below industry averages of 29.5 and 4.7 times, respectively.

Why is the firm that's behind three great brands including Popeye's, Burger King, and Tim Hortons so cheap?

It's not because earnings are slated to falter in a recession year. It's because management hasn't really delivered for investors over the past five years. With a negative 13% return in five years, QSR seems like dead money. However, it's anything but, given management's willingness to spend on comparable store sales-driving efforts.

I've praised QSR numerous times in the past for opening up its pockets and learning from past cost-cutting errors. At the end of the day, you've got to spend money to take share from fierce rivals.

Certain cost cuts make sense, but not if they're to the detriment of the customer or franchisee experience. With new lessons learned and a commitment to make its brands (especially Burger King) great again, QSR is a turnaround play I'm fully invested in.

CATEGORY

1. Investing
2. Stocks for Beginners

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1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)

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Date
2025/07/17
Date Created
2022/10/18
Author
joefrenette