These Fast-Food Stocks Could Crush it in 2023

Description

With the Bank of Canada finally ringing the alarm bell on a recession as it hikes rates, it's time for investors to weigh their plans to make it through what could be another sluggish year.

Though 2023 may be the year that the recession lands, much of the market-wide damage may already be in the books. Once we all feel the heat of the recession, the markets may have already moved on, with a focus on an ensuing bounce back. Things can change on a dime, and the masses could ask "what shape the recovery will be" rather than "how long stocks can go."

That's why it's critical to stay invested, rather than rushing to the sidelines with cash that will only leave you vulnerable to inflation. Indeed, it may seem better to deal with a 7% or so loss in purchasing power than 20-30% in depreciation. However, for investors willing to play defensive, there are ways to score decent risk-adjusted upside over the year ahead, whether it's a relief year or a continuation of the pain we've felt all year.

Consider these fast-food darlings: **Restaurant Brands International** (TSX:QSR) and **MTY Food Group** (TSX:MTY).

Restaraunt Brands International

Restaurant Brands International is best known for being the firm behind Burger King, Tim Hortons, and Popeyes Louisiana Kitchen. The firm bought Firehouse Subs in the midst of the pandemic. With the appetite to make further deals in the quick-serve restaurant space, QSR could easily become one of the most dominant fast-food empires on the planet.

Though QSR could make more deals, it's arguable that it already has its work cut out for it with Burger King (one of the largest fast-food brands on the planet) alone. Add the turnaround potential at Tim Hortons and a promising expansion of chicken chain Popeyes into the equation, and it's clear QSR has a world of upside.

As consumers flock to low-cost, fast-food firms in response to inflation and recession, QSR could find itself in a sweet spot, as it looks to make a move back to the all-time highs it hasn't seen since the summer of 2019. The $37 billion giant still has its doubters, but I'd argue you're getting a lot of recession-resilient brand power for today's low price of admission (23.2 times trailing price to earnings).

MTY Food Group

MTY Food Group is a hidden gem of a company trading at a ridiculously low multiple. At 14.6 times trailing price to earnings and 2.2 times price to sales, MTY is one of the cheapest quick-serve plays out there.

The firm behind Taco Time and Jugo Juice is best known for inhabiting your local mall's food court. During the pandemic, MTY suffered a major demand hit. Since the reopening, though, MTY has done a great job of beating estimates (the company beat on earnings in three of the last four quarters). These days, inflation is taking a bite out of margins.

With a recession nearing, there's fear that fewer people will even bother going to the mall. Though food court restaurants offer unmatched value, few people go to malls solely for lunch or dinner. In any case, I think many investors are sleeping on the stock, as it looks to expand its footprint.

CATEGORY

1. Investing

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2. TSX:MTY (MTY Food Group)
3. TSX:QSR (Restaurant Brands International Inc.)

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