



Is Restaurant Brands International Stock Worth Buying in February 2023?

Description

For months now, investors have been challenged by the market environment as conflicting economic reports continue to create tonnes of uncertainty. They are finding it extremely difficult to decide which stocks to buy. After all, the economic outlook will influence whether to buy defensive businesses like utilities or a popular restaurant stock like **Restaurant Brands International** ([TSX:QSR](#)).

Restaurant Brands International is well-known as the owner of popular North American franchises such as Tim Hortons, Burger King, Popeyes, Louisiana Kitchen and, most recently, Firehouse Subs.

The company's growth has been impressive over the years. The fast food chain has not only shown that it can acquire new franchises, but also expand existing ones. As of 2022, Restaurant Brands had approximately 29,000 restaurants in 100 countries around the world.

Although QSR stock has grown exceptionally in the past, it faces an uncertain economic environment today. There are a lot of questions about how the stock could perform in the near term.

How has Restaurant Brands International stock performed lately?

Though not as [volatile](#) as some stocks, QSR stock has ridden out an eventful few years. At the beginning of the pandemic, it was impacted severely, just like many other stocks. The company experienced a significant drop in sales. Over a few weeks, the stock price plummeted from a pre-pandemic price of roughly \$90 a share down to a low in the mid-30s.

Just like many other stocks, though, it quickly recovered and has been trading rangebound ever since.

In 2022, the restaurateur finally began to see its sales significantly pass its pre-pandemic level, which is what's led the stock to rally lately.

However, after recovering and reaching its 52-week high, the stock is now trading less than 15% off its all-time high reached back in mid-2019. Many investors may be wondering just how Restaurant Brands

International stock can continue to find new growth.

For its fiscal 2022, analysts expect Restaurant Brands to grow sales by 19% year over year. Earnings per share are forecast to rise by 17.8% year over year.

In 2023, though, analysts expect sales growth will be less than 5%. And with a potential [recession](#) on the horizon, earnings per share are actually expected to drop by roughly 3%.

So while the stock is trading at a trailing [price-to-earnings](#) (P/E) ratio of 21 times, its forward P/E ratio is nearly 23 times. That's right in QSR's historical range.

In fact, over the last five years, Restaurant Brands' average forward P/E ratio is 22.1 times. So it's clear that the stock is fairly valued in this environment. If anything, it's slightly overvalued, considering the heightened risk in today's investing climate.

Is QSR stock worth buying in February 2023?

Considering the heightened risk in markets these days and the fact that Restaurant Brands International stock already looks fairly valued, it seems like there are better options for investors looking to buy stocks in February 2023.

QSR stock does have growth potential, especially with Popeyes continuing to become more popular. Moreover, the global fast food chain has the potential to open up many Tim Hortons locations in Asia.

However, this major growth potential still looks as though it's years away. In the shorter term, QSR stock has to worry about the impact higher costs will have on its [margins](#), as well as the impact that inflation and a potential recession would have on consumer budgets.

So it's no surprise that of the 10 analysts that cover the stock, only four give it a buy rating, with six analysts rating Restaurant Brands stock a hold. The average analyst target price of \$96 offers a less than 10% premium from where the stock trades today.

Therefore, given the challenges that QSR stock faces in the near term, the stock price is already fairly valued. Considering that many other Canadian stocks continue to trade undervalued, it seems prudent to wait for a pullback in Restaurant Brands International shares before looking to establish or increase your position.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard

3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. cleona
2. danieldacosta

Category

1. Investing

Date

2025/06/27

Date Created

2023/02/03

Author

danieldacosta

default watermark

default watermark