3 Reasons Why You Should Own Restaurant Brands International Inc.

Description

When Burger King Worldwide Inc. announced its plans to buy Canadian icon Tim Hortons Inc. in August, it created the world's third largest quick-service restaurant. But is this new company, **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR), worth investing in?

Well, there are some reasons to believe this is a great opportunity for investors. Below we look at three big ones.

1. A strong crowd

If you decide to invest in RBI, you'll be in great company. A majority of the firm is owned by 3G Capital, a Brazilian investment management firm with an outstanding track record. Besides its 2010 purchase of Burger King, 3G is best-known for orchestrating the takeover of American brewer Anheuser-Busch (the makers of Budweiser beer), and its involvement in the privatization of Heinz.

3G is also well-known for its cost-cutting philosophy, which it applies to all newly acquired companies. It's yielded some fantastic results — for example, 3G has tripled Burger King's profit margins over the past four years. There's certainly less room for improvement at Tim Hortons, but 3G's involvement should be a big positive.

Better yet, other great investors have thrown their money into the pot. Warren Buffett's **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) owns US$3 billion of preferred shares, and also owns just over 4% of the common shares.

Pershing Square Capital Management, led by activist investor Bill Ackman, owns an 18.8% stake. Mr. Ackman has a tremendous track record, particularly in this industry, so his involvement in RBI should also make other shareholders feel that much more comfortable.

2. Growth opportunities

Before the merger, Tim Hortons was constantly questioned for its lack of growth opportunities. Those questions are long gone now. Most notably, Tim Hortons could apply the "Master Franchise JV" model, which Burger King successfully pioneered, to accelerate its international expansion. Tim's could also leverage Burger King's extensive partner network.

Importantly, two-thirds of the combined company's revenue will come from Canada. So there will be plenty of potential for growth in other countries.

3. A lack of alternatives for Canadians

Let's face it: if you're looking for stable businesses with a good track record in Canada, there aren't many companies to choose from. RBI is one of those few companies.

Granted, this isn't a risk-free company. In order to finance the US$11.9 billion purchase of Tim's, Burger King raised US$9.0 billion of debt, in addition to Berkshire's $3 billion in common shares. And because of this heavy debt load, RBI will not pay a dividend. So if you were a Tim's investor, and relying on that quarterly income, you could be forgiven for looking elsewhere.

That said, this new company operates some very stable businesses, has done well for shareholders in the past, has a great team of owners, and is looking at some serious growth opportunities. For a Canadian investor, such a company is hard to find.

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1. Investing

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Date
2025/07/22
Date Created
2015/02/16
Author
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