



Why Restaurant Brands International Inc. Should Be a Core Holding

Description

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#)) has been on an amazing run over the last year and is now up nearly 45%. The business is misunderstood by most investors who don't realize how much value will be unlocked for shareholders over the course of the long term.

Sure, there's a lot of debt, and the amount of debt a company has is important when considering whether or not to invest in a company, but what many investors don't realize is that Restaurant Brands is growing its free cash flow like there's no tomorrow. If the company keeps growing its free cash flow at this rate, it will have zero problems paying back its debt.

The incredible management team, 3G Capital, is worth every cent of the premium price that the stock may have over peers. 3G Capital is an industry expert which knows the ins and outs of the quick-service restaurant business. Burger King is an international success, and Tim Hortons as well as Popeyes Louisiana Kitchen will soon to follow in Burger King's footsteps.

The average investor probably can't fathom the amount of growth potential Restaurant Brands is capable of. As the name implies, Restaurant Brands is likely to acquire many more fast-food chains down the road. The management team will repeat its proven expansion and same-store sales growth strategy and drive cash flow.

Sure, the stock isn't cheap based on traditional valuation metrics, but if you consider the growth potential, I actually think the stock is undervalued at current levels. I believe there's a lot more upside from here, despite what many analysts have been saying about the valuation and the debt levels.

The company is backed by Warren Buffett. There's a reason why he loves 3G Capital and the businesses it runs. It's one of the best management teams in the world at driving long-term value for shareholders through strategic expansion, same-store sales growth initiatives, cost cutting, strategic acquisitions, and the synergies unlocked from such acquisitions. If Restaurant Brands ever needs a bit more cash to make a massive acquisition, Uncle Warren will probably be there answer the call.

Fool contributor Will Ashworth recently referred to 3G Capital as an "evil empire" and stated that it turned the great Canadian brand, Tim Hortons, into "another [one] of 3G Capital's many

moneymakers.” I don’t know about you, but I find myself drawn to Tim Hortons because of the new menu items and value-conscious choices like Perfect Pairings.

This great brand turned into a brand that is beyond incredible thanks to the geniuses at 3G Capital. Canadians clearly love the brand more than ever before, and that’s a big reason why Tim Hortons is seeing a huge amount of same-store sales growth on a consistent basis across Canada and in other places around the world.

I believe 3G Capital is the benchmark for managerial excellence, and you can bet that it’ll have more tricks up its sleeves to deliver fantastic results for 2017 and many years down the road.

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