



Why Warren Buffett Owns Restaurant Brands International Inc. and Not Cara Operations Ltd.

Description

Restaurant Brands International Inc. ([TSX:QSR](#))([NYSE:QSR](#)) and **Cara Operations Ltd.** (TSX:CARA) are completely different businesses with a number of key differentiating factors. Here's why Mr. Warren Buffett, one of the most respected investors of all time, chose to invest in Restaurant Brands and has probably never heard of Cara.

Brand value

Restaurant Brands's name highlights the primary reason why this growth name has been able to grow so quickly and efficiently of late — its brands. The addition of **Popeye's Louisiana Kitchen** to the roster of excellent brands held by the 3G Capital and the company has been well accepted by the market. Warren Buffett loves nothing better than good brands at a fair value with a competitive advantage, and it looks like, in this regard, Restaurant Brands is able to check all the boxes.

Cara's brand portfolio, while well accepted in certain Canadian markets where Cara-owned restaurants operate, represents a lack of growth opportunity as the brands this company owns have yet to branch out internationally and in any meaningful way into the U.S. market, where Restaurant Brands is the strongest. The potential for additional growth domestically remains; however, investors may feel that growth will remain constrained until Cara initiates a significant international franchising push.

I've got nothing against Cara's brands, but I'm afraid Original Joes and Swiss Chalet vs. Restaurant Brands's Tim Hortons and Burger King present distinctly different opportunities in different market segments.

Defensive nature of Restaurant Brands's business model

Another key reason many investors in the chain-restaurant business prefer Restaurant Brands over Cara is the growth potential that quick-service restaurants provide. Often easier to franchise than more traditional sit-down locations due to the nature of the business, quick-service restaurants offer more flexibility in terms of location and size.

Because the majority of Restaurant Brands's properties operate in smaller spaces relative to Cara, the sales per square foot and other primary metrics can often justify paying higher rents in better locations — another selling point for potential franchise owners.

In down economies, as with the last recession, we saw quick-service restaurant names such as **McDonald's Corporation** ([NYSE:MCD](#)) perform very well compared to the broader index due to the defensive nature of the business model. Providing inexpensive food with a great brand in times of economic stress can actually provide a boost to earnings when corporate earnings soften across the board.

Bottom line

Restaurant Brands has done an excellent job of making smart acquisitions while simultaneously streamlining operations and boosting earnings. With few excellent growth plays out there, it is hard to disagree with the Oracle of Omaha when it comes to this one.

Stay Foolish, my friends.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MCD (McDonald's Corporation)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:RECP (Recipe Unlimited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/25

Date Created

2017/04/05

Author

chrismacdonald

default watermark