Why Restaurant Brands International Inc. Is a Must-Own Growth Stock

Description

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) has had a huge run over the past year, and although the stock appears expensive, I believe the business behind the stock is worth every bit of the premium.

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The managers in 3G Capital are the best in the business. They've got the expertise and the experience to bring a small- to medium-sized fast-food business into the international spotlight. 3G Capital is one of the most efficient operators out there in any business.

3G Capital isn't afraid to cut costs across the board, as long as it doesn't hurt the long-term growth prospects of the business. It's also not afraid to spend money on same-store sales growth initiatives. After all, you've got to spend money to make money. Lastly, 3G Capital is not afraid to make acquisitions, even if it means taking on a considerable amount of debt. While some investors may be afraid of debt that Restaurant Brands has on its balance sheet, I'm not. Let me tell you why.

I'm very confident in the management team's ability to grow same-store sales while expanding to new locations. When you account for the cost-cutting initiatives, you get an incredibly efficient operation whose cash flow stream will accelerate over time.

The debt load is important to consider before making an investment in a company, but I believe Restaurant Brands is one of the rare exceptions; I'm a true believer in management's ability to meet its debt obligations. The company is doing a fantastic job of finding a balance between dividend payments, growth investments, and debt repayment. There's a reason why Warren Buffett and Bill Ackman both have large stakes in the company.

Bill Ackman recently commented on Restaurant Brands and its recent acquisition of Popeye's: "We believe that QSR can meaningfully improve Popeye's cost structure and can dramatically accelerate its unit growth, which will further enhance the company's future growth profile." I think Bill is right on the money, and the earnings growth from Popeye's will send QSR soaring.

Although the stock is expensive, I believe you'll do very well in the long run by buying shares of Restaurant Brands at current levels. If you're waiting for a dip before buying the stock, then you may find yourself disappointed a few months down the road if the stock continues its upward movement.

If you're itching to get into the stock, just initiate a small position now with the intention to buy more if any dips happen in the upcoming months.

While a margin of safety is very important, you may find yourself missing out on fantastic growth opportunities by relying on this concept for high-growth plays like Restaurant Brands. As Warren Buffett used to say, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

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