



## Why Bill Ackman's 10 Million Share Sale of Restaurant Brands International Inc. May Be a Mistake

### Description

Shares of **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)) pulled back over 3% on Wednesday following news that Bill Ackman's hedge fund, Pershing Square Capital Management, sold 10 million shares in a block trade with an average price of about \$61 per share. Although shares have become frothy after soaring as high as 33% year to date, I think Ackman's trim could cost his firm a considerable amount of upside over the short to medium term.

I don't believe the sell-off which followed the announcement of Ackman's position trim was warranted; it's nothing more than a buying opportunity for investors looking for a high-quality, long-term-growth name. It's never a good idea to follow an activist investor in or out of a stock, especially if it's Bill Ackman, whose performance has been absolutely abysmal of late.

Ackman made very poorly timed move when buying shares of **Valeant Pharmaceuticals Intl Inc.** before the crash, and his sale of shares after losing over 90% of their value was also poorly timed, since Valeant appears to be back on the right track. Ackman's short on **Herbalife Ltd.** ([NYSE:HLF](#)) hasn't gone too well either, as shares have soared of late.

Let's face it. Ackman is on a cold streak, and I believe his sale of Restaurant Brands, one of his biggest winners, could show to be another poorly timed move. At this point, it would make more sense to do the opposite of what Ackman does than to follow his moves.

After the trade, Pershing Square still owns about 14% of Restaurant Brands's common stock. Ackman is not giving up on the company; he's just trimming since he believes that the stock is becoming too frothy. It's very likely that Ackman will repurchase more shares of Restaurant Brands down the road if they come back down to Earth, but given the company's impressive growth streak, I find such a pullback unlikely. We'll just have to wait and see if Ackman's "sell your winners" trade works out for him.

### How Restaurant Brands can continue to soar

Restaurant Brands is expanding ridiculously fast, and 3G Capital is continuing to ramp up on same-

store sales growth initiatives as well as expansion for Tim Hortons and Burger King.

Earlier this year, the company acquired Popeyes Louisiana Kitchen, which represents a gigantic opportunity for both cost reduction and international expansion. Popeyes will further accelerate the company's earnings-growth profile, and I believe many investors are overly concerned about debt and not the cash flow growth potential.

Oppenheimer upgraded Restaurant Brands around the same time that Ackman trimmed his position. Analysts at Oppenheimer boosted its price target to US\$70, which represents a 14.6% upside from current levels. Oppenheimer likes the Popeyes deal and believes it will push unit growth to around 7%. Burger King and Tim Hortons continue to show impressive same-store sales growth numbers.

### **Bottom line**

It was really a "good news, bad news" day for Restaurant Brands, and the general public seems to be on Ackman's side, despite his poor performance of late. If you've been waiting for an entry point into QSR, then now may be the time to load up on shares.

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