1 Stock I'm Buying Aggressively This January

Description

As a contrarian value investor, nothing makes me happier than a dip in shares of my favourite companies, even if they're already holding within my portfolio. Why? It's an opportunity to put more of your cash to work in a business that you really believe in.

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) is one stock that I've been buying this January, because my long-term growth thesis is still intact, despite the dip caused by a barrage of negative headlines directed towards Tim Hortons.

Why the dip?

Fellow Fool contributor Will Ashworth seems to think that investors should punish the stock of Tim Hortons's parent company because of the controversial cuts franchisees made to offset the headwinds brought forth by minimum wage increases.

Many Canadians have felt strongly about the questionable moves made by franchisees and have been urging Restaurant Brands to take action to back the "Fight for $15 and Fairness." However, boycotting Tim Hortons is actually doing employees a disservice in the long run, especially since such boycotts would have a minimal impact on the financial results of Restaurant Brands, as fellow Fool contributor Chris MacDonald pointed out.

However, Ashworth claims that the longer-term implications could be more severe: "Tim Hortons's successful expansion outside of Canada depends entirely on the brands' iconic name. If this situation moves to other provinces dealing with minimum wage hikes, the financial fallout will be much bigger than anyone realizes."

While it's definitely an ugly situation, I think the long-term implications are overblown, especially when you consider the fact that management is actively looking at all its options to deal with recent minimum wage hikes.

According to an email by Restaurant Brands official, Greg Hiltz, the company is pursuing "a multi-faceted approach that will likely include taking price increases, examining costs and looking at operational efficiencies that will allow franchisees to run at lower costs."

Ontario's minimum wage hike will reportedly cost Tim Hortons franchisees $243,889 in 2018, according to the Great White North Franchisee Association. That's a huge gut punch courtesy of the government of Ontario, but with price hikes on select items, there may be enough wiggle room to revert the recent changes in response to the recent minimum wage hikes at some point down the road. Tim Hortons boycotts could slow or even prevent this from happening, however.

It's not just Tim Hortons that's cutting back at the expense of employees

The sudden 21% minimum wage hike has caused thousands of businesses across Ontario to cut jobs, hours, and benefits of its employees to keep their heads above water. These are effects that shouldn't come as a surprise, especially since the recent minimum wage hike was anything but gradual. Many businesses will continue to scramble to cut expenses, and unfortunately, when all is said and done, the average employee will be the one left holding the bag.

In the end, I believe Tim Hortons will reverse cuts to employee benefits and paid breaks, but for now, such cuts are an impulse reaction to sudden minimum wage hikes. Ontario-based Tim Hortons locations are merely a drop in the bucket for Restaurant Brands, and as time progresses, I'm certain management will find a sustainable solution to keep its franchisees, investors, and employees happy. For now, I believe it's a "small" issue in management's backlog, especially when you consider the company's global growth efforts, which are the number one priority.

Bottom line

The recent weakness in shares of Restaurant Brands has been exacerbated by the ongoing concerns at Tim Hortons's Ontario-based locations. This is a problem that's easily reversible, forgivable, and forgettable. In time, I'm confident that Tim Hortons will revert its recent cuts once alternative solutions are put in place.

In the meantime, while everyone's angry at Tim Hortons (and Restaurant Brands stock), it may be time to load up on shares since the long-term growth story is still very much intact. Tim Hortons, Burger King, and Popeyes are still earnings-growth powerhouses, and right now, you can get in on this growth story at a discount thanks in part to a slight hiccup that'll probably be corrected and forgotten about.

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