Win Big With Warren Buffett's Favourite Food Service Stock

Description

The shares of **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) are so piping hot lately that market players smell the aroma of price appreciation. RBI is currently $86.04, which is 20.63% above the 2018 year-end closing. Since climbing past $80 during the third week of January, the price kept surging.

Value investor and billionaire Warren Buffett, through **Berkshire Hathaway**, is invested in about 47 stocks as of December 31, 2018. As of March 27, 2019, he owns about US$441.3 million worth of QSR shares on the NYSE. Of course, he's not the main reason for the climb, but he certainly adds flavour and value to the stock.

High regard for RBI

Warren Buffett is not a fan of dividends but will be swept off by intrinsic value. The fact that he still holds shares of one of the world's largest quick-service restaurant companies means there is "true" value in the investment. With that amount of holdings, Buffett is the third-largest shareholder on record.

But other investors not named Buffett (or similar high-net-worth individuals) always relish a dividend yield close to 3% and a payout ratio of almost 75%. That is what RBI bring to the table.

RBI's iconic brands — Tim Hortons, Burger King, and Popeyes — are ingrained in the taste buds of millions of coffee, burger, and chicken lovers. All brands are operating on a global scale, where each brand is penetrating new markets. Aside from the regular fare, menu choices are offered depending on customer preference in the region.

Good investment prospect in the next quarter

The price surge in the first quarter is an indication that RBI would be an excellent holding in the next quarter and beyond. Many thought the food services industry wouldn't have anything to offer in 2019. The company missed the 2018 revenue targets by a hairline thanks to the solid performance by Burger

King and Popeyes.

Investor skepticism is turning to optimism because of the good growth of stores. Also, Tim Hortons is expected to be back on its feet and contribute significantly to the bottom line. Market competition is stiff, but the great international name will still reign supreme. That is the reason RBI might spring a surprise on the TSX with a breakout.

Business outlook

The latest news from the grapevine is that RBI is expected to open 1,500 stores in China over the next decade. If this is true, the current uptrend is likely to sustain.

RBI's current price of $87.12 is not actually cheap. However, it is just right to provide decent income. Bear in mind that the customer base is the huge global middle-class market segment. Further, momentum is on the side of RBI. There are no obstructions or nuisances to further growth.

In due time, when the company is generating increasing and recurring revenues, management would most likely raise dividends. Whether Warren Buffett wants it or not, he will be amply rewarded, too.

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