This Dividend-Growth King Just Went on Sale: Why Now Is the Time to Buy!

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) stock has been out of favour of late, and that's thanks primarily to 3G Capital and its decision to offload a substantial number of its own shares over the last two months.

The initial 24 million share sale announcement, which was made in early August, stopped QSR's impressive momentum in its tracks, and just under a month later, 3G Capital cut its stake for the second time with 17 million shares being sold back to the market — a grand total of 41 million shares dumped by 3G Capital.

On both share sale announcements, the stock sold off violently, and as we head into October, the 3G Capital's "double-double" share sale announcement appears to have sparked a sustained move downward.

Indeed, investors didn't appreciate the one-two punch to the gut delivered by 3G Capital. And although a **Kraft Heinz**-like debacle may not be up ahead, many investors are beginning to lose faith in Restaurant Brands, and for no good reason, other than the recent bout of insider selling, which isn't necessarily an ominous indicator.

Despite strong earnings and a clear growth runway, investors seem to think that 3G's share sale is a warning sign of a harsh road ahead. Although sizable, 3G Capital's stake reduction doesn't necessarily mean that there's something fundamentally wrong with the business or that there are significant roadblocks that are up ahead.

In a prior piece, I'd highlighted the possibility that the Restaurant Brands share sale had something to do with Kraft Heinz. In any case, the significant bout of insider selling shouldn't be treated as a time to take profits, as by doing so, you'd be taking a hit to the chin courtesy of 3G Capital, which has the right to take some profits off the table after the stock's tremendous run over the years.

Some folks have speculated that 3G Capital may be getting ready for another expensive acquisition. Others are worried that 3G Capital may be getting ready to make an exit from the fast-food behemoth that's done so well over the years – a rumour that I think makes no sense given the ambitious growth plan.

And some just see the massive share sale as an indication that the stock is overvalued.

While most of the focus has been on the negatives, I'd like to highlight some potential positive reasons as to why 3G dumped its stake.

This is just speculation at this point, but maybe 3G Capital is just trying to reduce its control to give activist investor Bill Ackman an opportunity to steer the ship?

This would be a huge boon for the stock given concerns over slowed comps at Tim Hortons and Ackman's stellar track record at unlocking massive value for long-term shareholders. Moreover, a reduction in exposure could give 3G more resources to craft a turnaround at Kraft Heinz.

The uncertainty regarding the recent share sale has worried investors, but the reality of the situation may be far less benign than most believe. And if this is the case, Restaurant Brands stock is on sale, and now is the time to back up the truck.

What we do know is the stock is now down nearly 12% from its all-time highs, and with enviable growth prospects, investors now have a chance to get a double-digit earnings and dividend grower at 10-15% off over news that shouldn't have been as material to the stock.

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