Warren Buffett's Top TSX Stock Just Went on Sale!

Description

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is a dividend-growth heavyweight that's also one of Warren Buffett's largest **TSX**-traded holdings.

The fast-food heavyweight is behind three of the most influential fast-food brands on the planet: Tim Hortons, Burger King, and Popeyes Louisiana Kitchen.

The brands give Restaurant Brands a dominant position in the coffee & doughnuts, burgers & fries, and fried chicken markets, the latter of which is poised for tremendous global growth in the early 2020s.

With the option to acquire another fast-food brand (perhaps they'd be hungry for a slice of the pizza market?) should an opportunity present itself, Restaurant Brands can refill its growth tank anytime it sees fit.

For now, Restaurant Brands has its plate full with Tim Hortons and Popeyes, both of which have a world of global expansion possibilities that can help fuel many years worth of double-digit earnings growth.

Add the potential effect of same-store sales growth (SSSG) initiatives into the equation and it's easy to see why Warren Buffett helped fund the merger between Burger King and Tim Hortons to create the fast-food empire known as Restaurant Brands.

In recent months, fast-food stocks have fallen out of favour, and Restaurant Brands stock was not spared, with its shares plunging over 22% from peak to trough.

Now that the stock is close to the cheapest it's been in recent memory, one has to think that Warren Buffett may be hungry to pick up the shares that 3G Capital has discarded in the latter part of 2019.

At the time of writing, Restaurant Brands stock trades at 16.8 times next year's expected earnings and 5.6 times sales, both of which are modest given that the company has averaged 17.7% in net income growth over the last three years. Should Tim Hortons be able to brew a turnaround, I'd expect growth could accelerate through the roof.

Over the years, many investors seemed to have lost confidence in management's abilities. Tim Hortons has still yet to live up to its full potential, and over the brand has lost some of its appeal with Canadian consumers thanks to a barrage of negative publicity that was the result of poor management decisions.

There's no question that 3G Capital, the managers running the show, has fumbled the ball with Tim Hortons thanks to uncharacteristic offerings and excessive cost cuts. And after the souring of 3G-managed **Kraft Heinz**, it's tough not to blame investors for losing faith in QSR's management.

But as Warren Buffett once said: "I always invest[s] in companies an idiot could run, because one day one will."

Not to discount the efforts of 3G Capital, but I do see Restaurant Brands as a company that can still do relatively well with a management team that's prone to making mistakes.

With the years of mediocre performance at Tim Hortons, I think a management shake-up at the chain is exactly what the company needs to get the profit train back on the rails.

At the end of the day, Tim Hortons is still a brand with a tonne of upside potential, and under the right president, it can be a significant driver of Restaurant Brands stock in the 2020s.

As the broader fast-food market continues to pull back, I wouldn't at all be surprised to see Warren Buffett help himself to another offering of QSR shares.

The fast-food space holds some of the best bargains in today's frothy market, so if you're looking for a fat dividend, consider backing up the truck on QSR before they head back to the triple digits.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:QSR (Restaurant Brands International Inc.)

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24
Date Created
2020/01/27
Author
joefrenette