This Warren Buffett-Owned Canadian Stock Just SMASHED Earnings!

Description

Restaurant Brands International Inc (TSX:QSR)(NYSE:QSR) is one of Warren Buffett's favourite Canadian stocks. A fast food conglomerate that resulted from the merger of Tim Hortons and Burger King, it makes up one of the largest positions in Buffett's **Berkshire Hathaway** portfolio.

Last year, the company made headlines thanks to a massive dividend hike that more than doubled the income shareholders receive from their holdings. This year, the company is once again in the news, thanks to a collection of revelations from its fourth-quarter earnings release, including strong overall performance and a major downturn in Tim Horton's sales.

Overall, the news from the company was good, sending its shares soaring after months of losses. However, there was some alarming news in the release that's also worth paying attention to. I'll dig into that in just a minute. First, let's look at the main story of QSR's recent earnings release, which has got investors excited.

Q4 earnings beat expectations

The biggest news out of QSR's Q4 earnings release was that *adjusted* EPS beat expectations by $0.02, coming in at $0.75 per share. The news came after a sell-off in QSR shares, which was due in no small part to slumping sales at Tim Horton's. It was a breath of fresh air investors desperately needed.

On the other hand, GAAP EPS missed significantly, coming in at $0.54, so the overall picture was mixed.

Popeye's sees "transformational" growth

Another big highlight from QSR's earnings release was phenomenal 42.3% growth in Popeye's Louisiana Kitchen. A subsidiary that the company acquired a few years ago, the chain is by far the company's biggest grower, thanks to a successful new chicken sandwich and a 34.4% jump in samestore sales.

Popeye's is by far QSR's best single restaurant chain right now, and could take the company to new heights if it keeps up the growth it's been experiencing.

Tim Horton's disappoints

The biggest disappointment in QSR's Q4 earnings release was Tim Hortons sales. The once-iconic coffee shop's sales declined by 2.9%, marking another poor quarter for the chain. Tim Hortons sales were also down 0.3% over 12 months, indicating a potentially longer-term trend.

Over the years, Tim Hortons has languished, as **Starbucks** and **McDonald's** have eaten into different segments of the coffee market, and in Q4, we saw the chain take a big hit. QSR has enough good news coming out of its other chains to be worth considering, but I wouldn't expect much good news out of Tim Hortons in the coming years.

Foolish takeaway

Restaurant Brands International is far and away Canada's biggest fast food company. In Q4, the company showed that its large size doesn't preclude growth. While the continued decline of Tim Hortons has been a sad spectacle to observe, the success of Popeye's and Burger King point to a bright future for QSR stock. No wonder Warren Buffett likes it.

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