



Can Tim Hortons' Parent Turn Its Slumping Stock Around?

Description

When Warren Buffett funded the merger of Burking King and Tim Hortons back in 2014 to create what we now know as **Restaurant Brands International Inc** ([TSX:QSR](#))([NYSE:QSR](#)) there were a lot of people scratching their heads.

Investing in a coffee chain and burger joint were not normal Buffett investments, and despite a major lack of value in the shares, the Oracle of Omaha pulled the trigger and bought a nearly 5% stake of the company.

The deal turned out more than okay for Buffett, however, who not only saw his value of common shares rise significantly, but also received a decent return on the preferred shares he owned, thus helping to fund the merger.

The performance of Restaurant Brands has also been helped by its acquisition of Popeyes, not only because it helps diversify the company a little bit more, but also because doing a lot of the work to keep it growing as well, especially recently.

Regardless, the stock has done well for Buffett, who now only owns a roughly a third of what he used to at just 1.6% of the company.

As it continues to mature, however, is there much upside left for the company, and should you consider buying shares today?

For investors who have Restaurant Brands on your “buy” list, the stock looks like it could be approaching attractive levels.

It's nearly at its 52-week low and more than 15% off its 52-week high, trading just over the levels witnessed in 2017 and 2018.

One of the main reasons for the stock's struggles recently is due to the ongoing weakness at Tim Hortons.

The brand has been struggling a lot lately, trying to drive new sales and introduce new food and beverage items that resonate with customers, but it's been struggling to gain *any* ground.

This has led management to announce major changes to the brand going forward in order to try and get back on track driving new sales.

New digital integrations and a revamped rewards program are two of the main keys to Tim Horton's new operational strategy. It needed to address the rewards program especially, which has largely weighed on sales.

There's no telling where the stock would be if it was just Tim Hortons; however, due to strong quarters from both Burger King, which introduced its new Impossible Whopper, and especially Popeyes, which introduced its highly popular chicken sandwich, both helped to offset Tim Hortons' slow quarter.

At current prices, QSR is trading at roughly 30 times its earnings, so the stock is still highly regarded as a [growth stock](#) with major opportunity.

It will be interesting to see how Tim Hortons can try and transition from here –and what impact it will have on the company as a whole.

The quick service restaurant industry is one of the most competitive industries out there, so Tim Hortons and QSR overall have much work to do.

The stock's consensus price target is just shy of \$100 — a roughly 14% increase from the current trading price below \$88. With its dividend yielding more than 3.1%, investors could potentially see a nearly 20% return from an investment in QSR over the next 12 months.

It's all going to come down to the company's ability to adapt and continue to find new ways of growth. If it can succeed, investors will be heavily rewarded.

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