



This Warren Buffett-Inspired Stock Hasn't Been This Cheap Since 2014

Description

"Be fearful when others are greedy. And be greedy when others are fearful." — Warren Buffett

The Oracle of Omaha is, without a doubt, the greatest investor to have ever lived. Yet many investors choose not to follow his sage advice about investing in bear markets.

Sure, Warren Buffett might not be buying today, but investors must remember he has an insurance company to worry about. He simply doesn't know how this will impact **Berkshire Hathaway's** insurance operations, so he's choosing to be cautious. Besides, Buffett is nearly 90 years old. Most investors turn conservative much sooner than he did.

So even though Buffett might not be aggressively buying stocks today, I still argue one of his most famous quotes is still very applicable. It's time for investors to get greedy.

I have just the choice for Warren Buffett fans. Here's a stock he'd likely be pretty interested in if it were only a lot bigger.

A fine fast food restaurant

Warren Buffett has been an active investor in the [fast food industry](#) for decades now, including owning Dairy Queen outright inside Berkshire.

It's easy to see what Buffett likes about the industry. These companies have excellent brands, the kinds of reputations that bring back customers time and time again. It's also an excellent business; the franchisees do all the hard work while the parent company collects a royalty based on gross sales. And they offer plenty of steady, dependable revenue.

At least, they did until COVID-19 turned the entire restaurant business upside down.

Now that we're a couple of months into the pandemic, an interesting trend is playing out in the restaurant business. Traditional restaurants continue to struggle, while fast food brands — especially

ones with heavy drive-thru presence — have recovered.

This bodes well for **A&W Revenue Royalties Income Fund** ([TSX:AW.UN](#)), which is Canada's second-largest burger chain with nearly 1,000 pre-COVID locations. A little more than 20% of the chains are shuttered today, but many should be able to open up soon as provinces ease eating out restrictions. Most A&W locations have carried on throughout COVID-19, serving guests meals via the drive-thru.

The opportunity

First, let's talk about A&W's excellent long-term track record.

The company has delivered [steady returns](#) for investors for years now, using a combination of clever marketing, delicious food, and interesting promotions to drive traffic. Unlike many of its competitors, it has resisted discounting, allowing it to post consistent same-store sales growth, which is the key metric in the restaurant business.

Many investors regard A&W as Canada's finest fast food chain. CEO Susan Senecal and her team have done a terrific job.

And now, thanks to COVID-19, investors can finally buy into this stock at a bargain price. Shares currently trade hands for a bit over \$27 each. The stock hasn't been this cheap since 2014.

In 2013, the company earned \$1.35 per share in distributable cash flow. Last year, that number increased to \$1.86 per share. The share price was virtually unchanged, despite significant earnings growth.

I'm the first to admit 2020 will be a challenging year. But 2021 should see business return pretty much to normal, even if today's economic downturn persists, which means investors have a great opportunity to get in today. Warren Buffett isn't among them — A&W is simply too small — but it's definitely the kind of stock he'd go for.

The bottom line on this Warren Buffett stock

A&W is an excellent business with a great long-term track record. Management has done a nice job turning around the concept over the last few years. Business should bounce back quickly, too.

And remember, this stock formerly paid a generous dividend it was temporarily suspended. The payout will likely be back soon.

This Warren Buffett-inspired stock hasn't been this cheap in a long time. Perhaps it's time for you to finally add it to your portfolio.

CATEGORY

1. Coronavirus
2. Investing

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