



## Canadian Stock Investors: Activist Investor Takes Major Stake in Tim Hortons' Parent Company

### Description

Early this month, activist investor Bill Ackman increased his stake in **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)). Ackman is the founder and CEO of **Pershing Square** Capital Management, a hedge fund management company.

Ackman and Pershing Square now hold a combined 9.6% stake in RBI.

### Popeyes boosts sales at RBI

RBI's sales have been bolstered over the past year by its popular restaurant chain Popeyes. The chain is quickly becoming the crown jewel in RBI's portfolio.

Popeyes recorded a [32% growth in system-wide sales during the first quarter](#), which included at least one full week of COVID-19 impacts. This surge in sales is due, at least in part, to the revamping of the menu and the introduction of the chain's spicy chicken sandwich.

The item became an immediate sensation in North America when it was first introduced last summer. The chicken sandwich became so popular that the stores briefly stopped selling the sandwich due to supply issues.

Unfortunately, the [delicious sandwich](#) (I've eaten several of them since their introduction) aren't available in Canada. The sandwiches are due for a pilot rollout in Canada this summer, with a full rollout planned for September.

### Tim Hortons underperforms

One of the biggest losers on RBI's balance sheet is Tim Hortons. The past year has been especially tough for the brand.

There seems to be a public erosion in RBI's relationships with some franchisees. Although the company made changes to its management team in January, it is too early to tell if these changes will have any impact on the bottom line.

In terms of global sales, Popeyes is set to overtake Tim Hortons by the end of 2020.

## Ackman's track record

Ackman made headlines in April after he disclosed a [US\\$2.6 billion profit from a controversial bet](#) that the coronavirus would crash the stock market. Ackman used credit protection on investment-grade and high-yield bond indexes as widespread fears wrecked global markets.

The activist investor is also known for his lucrative bet on the turnaround of restaurant chain **Chipotle Mexican Grill** ([NYSE:CMG](#)). In 2016, Pershing Square invested in Chipotle, buying approximately 2.8 million shares of the company for US\$1.2 billion. At the time, Chipotle was in the midst of a public relations nightmare due a string of food safety issues.

Ackman's bet paid off. In 2018, Chipotle became one of the **S&P 500's** top-performing stocks, gaining nearly 50%. In 2019, the stock soared over 90%.

Although Pershing has trimmed its stake in Chipotle, the stock still accounted for almost 15% of Pershing Square Holdings' gross returns in 2019. This investment helped Pershing become one of the world's best-performing hedge funds last year, with a 58% return.

## Pushing for changes at RBI

Ackman has owned shares in RBI since 2012. Although the intention for increasing his ownership is unclear, it appears that he purchased shares in the company for its value, rather than to push for massive changes at the company.

In a statement, Ackman said that he views the company's shares as undervalued and an attractive investment. In a similar statement, RBI Chief Corporate Officer Duncan Fulton told *BNN Bloomberg*, "Pershing Square has been a shareholder in the company since 2012 and we've always valued their confidence in the vision of the company."

## The bottom line

It's possible that Pershing Capital's investment in RBI will put pressure on the company to quickly address the issues at Tim Hortons.

If Tim Hortons could duplicate even part the success RBI achieved with Popeyes, there would be no stopping the trajectory of growth for this stock.

### CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:CMG (Chipotle Mexican Grill, Inc.)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)

## PARTNER-FEEDS

1. Business Insider
2. Msn
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