



This Buffett Restaurant Stock Will Make You a Fortune in 10 Years

Description

Quick-service restaurant owner **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) has been pummelled by the coronavirus. The chain is down 8% since the start of 2020 despite gaining a whopping 57% from the March 2020 stock market crash bottom.



While the economic fallout from the coronavirus pandemic is expected to impact restaurants, there are plenty of emerging tailwinds for Restaurant Brands. It is also a Buffett-approved stock with billionaire Warren Buffett, one of the most widely followed investors, owing around 8.4 million shares valued at around US\$452 million. The reasons for this are simple Restaurant Brands meets many of the characteristics Buffett looks for in a stock.

Growth catalysts for restaurants abound

Restaurant Brands International's first quarter earnings were not as severely impacted by the pandemic as anticipated. While company wide sales growth for the first quarter 2020 was flat compared to 6.4% a year earlier, earnings were not hit as hard as expected. Restaurant Brands' quarterly EBITDA was 11% lower year over year while net income declined by the same amount.

That can be attributed to restaurants being closed, government bans on indoor dining in many jurisdictions where it operates and stay-at-home orders being implemented to [contain the coronavirus](#).

The restaurant chain's push to ramp-up curbside delivery, drive-through and pick-up services at its restaurants allowed it to minimize the impact of the pandemic on its operations. Restaurant Brands also focused on expanding its digital presence as part of the effort to allow operations to continue in a coronavirus world.

That will not only shield earnings during this difficult time, but will also serve as a growth catalyst once pandemic related restrictions are lifted. The gradual easing of restrictions in many of the jurisdictions where Restaurant Brands operates, including some considering reopening in-house dining, will lead to higher sales.

The reopening of restaurants will be an important growth driver because at the end of the first quarter, around half of Restaurant Brands restaurants in Europe, Middle East, Africa and Latin America were closed. Around a fifth of all its Asian sites were also shuttered.

The loosening of restrictions particularly around in-house dining will give Restaurant Brand's earning during the second half of 2020 a healthy lift.

Restaurant popularity to surge

Fears of a deep coronavirus induced recessions are weighing on many stocks, particularly restaurant, retail and entertainment stocks.

Nevertheless, during economic slumps consumers become more budget conscious seeing them seek out cheaper options.

Budget quick services restaurants such as those operated by Restaurant Brands typically experience an increase in popularity during recessions. This will further bolster sales during what is shaping to be potentially the worst economic downturn since the Great Recession.

Restaurant Brands is also focused on controlling costs and driving greater sales across its branded

chains which will lift earnings. The strategies implemented by the company to support its operations during the coronavirus pandemic will help it drive greater sales despite the poor economic outlook.

Billionaire activist investor Bill Ackman recently upped his stake in Restaurant Brands because of the opportunities it presents and the belief that it is undervalued.

Foolish takeaway

It's easy to understand Restaurant Brand's popularity with Buffett and Ackman. The company runs a simple model focused on franchising its brands, infrastructure and expertise in an easy-to-understand industry. Restaurant Brands can generate recurring cash flows and consistent growth from an easily understood business.

This makes it an ideal [stock to own](#) during difficult times.

An investment in Restaurant Brands five years ago would have delivered a 73% return, which equates to a compound annual growth rate of a notable 11.5%. While past returns are no guarantee of future performance, this highlights the considerable value that Restaurant Brands can deliver.

While waiting for Restaurant Brands to rally, you will be rewarded by its regular dividend yielding just under 4%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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