Should You Follow the Wall Street Legends and Invest in This TSX Stock?

Description

If there is one TSX stock that two of the Wall Street's legends — Warren Buffett and Bill Ackman — hold, it is **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). Though there is a stark difference in the investing style of these legends, their interest in Restaurant Brands International speaks volumes about the strength and stability of the company.

Investors who are new to the stock market and confused about where to start, follow these two legends of investing and buy Restaurant Brands International stock for long-term gains.

Why own this TSX stock?

After a steep fall in March, shares of Restaurant Brands International made a steep recovery and jumped over 86%. Despite the recent improvement, it is still trading about 28% lower than its 52-week high of $105.93, which implies that there's further room for growth.

Restaurant Brands International owns three iconic brands, including Burger King, Tim Hortons, and Popeyes. Its extensive geographical footprint in over 100 countries provides the foundation for long-term growth.

Similar to other restaurant chains, Restaurant Brands International posted lower sales and profitability in the most recent quarter, reflecting the negative impact of store closures following the COVID-19 outbreak. Its comparable-sales at Tim Hortons and Burger King fell 10.3% and 3.7%, respectively. Meanwhile, its adjusted earnings decreased by about 11%.

Despite challenges, Popeyes stood out. The system-wide sales at Popeyes jumped 32.3%, while its comparable-sales soared 26.2%, which is encouraging. A jump in demand for its chicken sandwich led to growth.

While near-term challenges could continue to hurt, Restaurant Brands International remains well positioned to benefit from the increased demand in its home delivery and drive-thru channels. The company is rapidly expanding its home delivery capabilities, which bodes well for future growth.

Investors should note that home delivery at Tim Hortons is now in more than 1,000 restaurants from 250 restaurants, covering all of Canada. Moreover, about 9,000 restaurants across all of its three brands offer home delivery service.

Restaurant Brands International's focus on expanding its off-premise offerings should continue to drive traffic. Meanwhile, the extension of its distribution footprint in Canada and the reopening of the economy should further support growth.

Healthy yield and attractive valuation

Restaurant Brands International is a reliable investment option for investors seeking both growth and income. The company has consistently raised its dividends and currently offers a forward dividend yield of 3.8%, which is safe owing to its steady cash flow-generating capabilities.

Besides, Restaurant Brands International stock looks attractive on the valuation front as well. It is trading at next the 12-month price-to-earnings ratio of 23.8, which is lower than the industry (quick-service restaurants) average of 29.4.

Bottom line

Despite operating at a limited-service mode due to the pandemic, Restaurant Brands International should continue to see improvement and re-establish its momentum in the coming quarters. The expansion of its home delivery services and supply-chain network and the rollout of the outdoor digital menu should support its growth.

Its low valuation and healthy dividend yield further support my bullish view on Restaurant Brands International stock.

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