Billionaires Can’t Stop Buying This 1 Canadian Stock

Description

Here’s a question for you:

Which Canadian stock has more billionaires and hedge fund managers excited than any of its peers?

You might be tempted to say a headline-grabbing tech stock like **Shopify**, or maybe a mining company set to profit off the soaring price of gold. But think again. The most widely held Canadian stock among the top 50 hedge funds isn’t a tech stock, a mining stock, or even a company you’ve likely heard of before.

Instead, it’s a restaurant company that’s quietly gobbling up market share not only in Canada, but also the United States. After sliding in the COVID-19 market crash, this company’s stock has risen 62%. Incredibly, it may have more gains to realize from here.

The name of the company?

Restaurant Brands International

Restaurant Brands International Inc (TSX:QSR)(NYSE:QSR) is a fast food conglomerate formed by the merger of Tim Hortons and Burger King in 2014. Shortly after the merger, the company acquired the U.S. fried chicken chain Popeyes, which became a key component of its future success.

Over the years, Restaurant Brands has been a strong growth story. Between 2015 and 2018, the company grew its earnings from $512 million to $1.14 billion. That’s a compound annual growth rate of 30.5%, which is better than average.

Powered by its growing earnings, QSR has been increasing its dividends, with a notable 114% payout increase in 2017. As a result of the consistent payout increases and the still-lower stock price following COVID-19, QSR now yields 3.7%.

Popeyes seeing wild success

By far the biggest contributor to QSR's success this year has been Popeyes. In the first quarter, the chain grew same-store sales by 40% despite COVID-19 lockdowns. That figure may be slightly deceiving however; according to CNBC, Popeyes doesn't include closed locations in its same-store sales calculations. Nevertheless, we saw solid results from the locations that remained open.

Additionally, we can reasonably expect Popeyes' growth to continue. Its incredible same-store sales growth has been driven by a new chicken sandwich, which was already driving increased sales last year. So as the economy re-opens, Popeyes' sales growth is likely to continue as its chicken sandwiches gain popularity.

Foolish takeaway

Buying a stock because hedge funds are in love with it isn't always a great idea. As Warren Buffett showed in his infamous bet against hedge fund managers, these funds rarely outperform the market.

In the case of Restaurant Brands, though, the hedge funds might be on to something. This is a company that owns three popular fast food franchises, one of which is exploding in popularity despite COVID-19.

Bill Ackman likes it, Warren Buffett likes it, and countless other top money managers like it too. If you're looking to make a bet on fast food in 2020, there are worse stocks you could pick than QSR.

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