Forget McDonald's (NYSE:MCD)! Buy This Warren Buffett Food Stock Instead

Description

The COVID-19 pandemic has not been kind to any industry. Utility and telecom sector companies are mostly faring better than most due to the essential nature of the service these two industries provide. Restaurants generally tend to perform well amid economic crises due to the affordable food this sector provides.

However, the novel coronavirus has left restaurants largely in trouble due to the mandatory social-distancing measures to curb the spread of the virus. Some of the industry's biggest names are struggling to cope with the change in dynamics caused by this pandemic.

I will discuss one such stock as well as a better alternative within the industry that you should consider.

McDonald's

McDonald's (NYSE:MCD) is one of the most well-established fast-food restaurant chains globally. It is trying to adapt to the new norm to offset the impact of COVID-19 on its business. The fast-food chain reported one of its worst-ever global sales decline due to the pandemic in Q2, 2020. It saw same-store sales decline by almost a fourth.

The fast-food restaurant is not down for the count. It is relying on sales through drive-thru and delivery options to get its numbers back up. McDonald's is also renaming its McCafe Mobile Rewards program to McDonald's reward program to boost the use of its app. Despite its mobile revamp strategy, it will be an uphill climb for the giant.

A Warren Buffett stock

Warren Buffett, the Oracle of Omaha, is the person investors look to when they want to follow the lead of a successful investor. Buffett is famous for investing primarily in U.S. companies, but that does not mean he does not venture into companies outside the country.

One of his prominent investments in Canada is the **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) stock. You might not know this name, but you likely know Burger King, Tim Hortons, and Popeyes. QSR owns and operates these three fast-food chains, and it is performing well in the stock market.

The pandemic did not spare this company, but it is not doing drastically bad either. At writing, Restaurant Brands share prices are down 12.53% from the beginning of 2020. The pandemic resulted in a 37% decline in quarterly profit because it hurt the demand for coffee and breakfast. Still, QSR reopened more than 4,500 restaurants in the quarter and is now running at 93% capacity amid the gradual reopening.

It can weather the current storm, even if a second wave hits this fall. Once the pandemic concludes, we might also see a prolonged recession. Fast-food operators like Restaurant Brands might see a boost in sales since the companies sell what economists call “inferior” goods.

Foolish takeaway

At its current share price, Restaurant Brands is up almost 90% from its March 2020 low. It is paying its shareholders at a juicy 3.84% dividend yield, and it is well suited to carrying forward with a stronger performance than most other fast-food companies. The fact that Buffett is holding onto this stock for dear life should be a sign that he expects QSR to become more valuable in the future.

CATEGORY

1. Dividend Stocks
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2. NYSE:QSR (Restaurant Brands International Inc.)
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