



## Warren Buffett Just Exited This Canadian Stock: Here's Why I'm Buying Anyway

### Description

Warren Buffett had a considerable amount of sells in the second quarter. The man looks to be derisking his portfolio to [better roll with the punches](#) that Mr. Market will throw amid this horrifically uncertain coronavirus-plagued market.

While many health experts are bullish on the advent of an effective coronavirus disease 2019 (COVID-19) vaccine within the next year, Buffett clearly isn't willing to hang onto shares that could continue getting hammered if a bear-case scenario ends up panning out with this pandemic.

Indeed, Buffett has a preference for healthy balance sheets and COVID-resilient operating cash flow streams amid this socio-economic disaster. He's playing the long game and is trying to lower his portfolio's [dependence](#) on the timely elimination of COVID-19.

Many COVID-hit companies that sport "cheap" shares are tough to value here without further clarity on the COVID-19 timeline. As such, such "cheap" stocks may not actually be cheap if this pandemic drags on for longer than expected, as disruptions continue weighing on a firm's incoming cash flows.

## Warren Buffett just ditched some quality merchandise in Restaurant Brands stock

Warren Buffett exited the U.S. airlines and ditched shares of **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) amid mounting COVID-induced disruptions. While I agree with Buffett's decision to bail on airline stocks, his decision to ditch and not add to his Restaurant Brands stake is a mistake. As Buffett dumped his stake in Restaurant Brands, fellow big-league investment legend Bill Ackman swooped in to add to his already sizeable stake in the fast-food kingpin.

While I'm a big-time Buffett follower, I'd have to side with Ackman when it comes to the ailing restaurant operator, even amid unprecedented disruptions brought forth by the COVID-19 pandemic. The company owns three top brands in the quick-serve restaurant space, and they will bounce back in due time.

Moreover, Restaurant Brands, unlike many other restaurants, has deep enough pockets to make it out of this crisis alive. Heck, given tremendous progress made on mobile and delivery and the fact there's likely to be less competition once this pandemic ends, I think Restaurant Brands is in a spot to climb out of this pandemic stronger than it entered.

## Restaurant Brands' robust chains will shine

There's no question that there's a tonne of baggage to be had with Restaurant Brands. Pandemic disruptions aside, the company has serious issues with its Tim Hortons' brand, which was a significant drag for years now. Same-store sales in the name were sluggish, and this COVID-19 pandemic is, indeed, salt in the wounds of a brand that's operating in a sub-optimal fashion.

Over the years, the legendary Tim Hortons brand has begun falling out of favour with Canadians. Given the power behind the brand and turnaround potential, should Bill Ackman get more active with his investment in Restaurant Brands, I think it'd be foolish (that's a lower-case "f") to count Tim Hortons or Restaurant Brands out.

Even if the turnaround brewing at Tim Hortons doesn't work out, Popeye's is capable of doing more heavy-lifting for Restaurant Brands, as it continues to make a case for why it could be one of the major winners of the fried chicken wars.

In any case, Restaurant Brands stock looks unsustainably undervalued here and think Warren Buffett's decision to exit the stock at these depths is a mistake. Fortunately, Restaurant Brands was never a sizeable portion of Buffett's portfolio, to begin with, so I don't suspect he'll have any regrets, especially since he's keen on reducing his exposure to stocks that have been more affected by the COVID-19 pandemic.

## Foolish takeaway

If you're like Ackman and me, now's a great time to scoop up shares while they're at \$71 and change. The near-term is likely to be rocky, but the long-term fundamentals are still very much intact.

Given the firm's capital-light growth model and the possibility that Ackman may push for change, I'd say shares of QSR sport one of the best risk/reward trade-offs on the entire **TSX Index** right now. I've been accumulating shares on weakness and will continue to do so, as pandemic woes continue weighing over the medium-term.

### CATEGORY

1. Dividend Stocks

### TICKERS GLOBAL

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

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