Warning: Warren Buffett Just Sold His Stake in This TSX Stock

Description

Berkshire Hathaway's regulatory filing revealed that the firm sold its entire stake in **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). The Warren Buffett-owned company is required to provide quarterly updates to the SEC about its portfolio of publicly listed companies.

These filings are then closely scrutinized by investors to gauge what the Oracle of Omaha thinks about the sector and the economy in general. As Warren Buffett is probably one of the most successful investors in the last five decades, his investments and exits warrant a closer look.

Let's see if investors should turn bearish on Restaurant Brands International stock after Warren Buffett's exit.

Strong quarterly results

In the June quarter, QSR reported sales of $1.05 billion, which were in line with consensus estimates. Its adjusted earnings per share of $0.33 were higher than analysts' forecast of $0.29. QSR owns hugely popular chains of Burger King (BK), Tim Hortons (TH), and Popeyes Louisiana Kitchen (PLK).

The company claimed that by the end of Q2, it was back to 90% of its prior-year system-wide sales and 93% of its restaurants were opened worldwide. In the June quarter, QSR managed to offset store sales decline by banking on drive-thru, digital, and delivery channels. In its home markets, digital sales were up 120% year over year (YoY) and 30% higher on a sequential basis.

Further, market research company Black Box Intelligence said revenue for quick-service restaurants in the last two weeks ending July 12 saw an increase in YoY sales. This should be encouraging news for QSR investors.

Popeyes drives growth

In Q2, TH's comparable sales were down 29.9% while BK's comparable sales fell 13.4%. This decline was offset by a strong performance by PLK, where sales were up 24.8% YOY.

PLK's comparable sales growth was 28.5% in the U.S., while net restaurant growth stood at 6.7%. The YoY growth in total sales was driven by PLK's system-wide sales growth.

In its Q2 earnings release, the company said, "Our results at Popeyes in the U.S. improved over the course of the quarter relative to results during the onset of the global pandemic in March. During the last two weeks of March, comparable sales were approximately flat on a year-over-year basis. As of the end of July, comparable sales performance had improved to the positive high-twenties on a percentage basis."

Though Popeyes is the smallest chain among the three and does not move the needle significantly, its adjusted EBITDA soared 24% YoY to $51 million. Popeyes chicken is fast gaining in popularity and visits in January and February 2020 were up 63.5% and 56.1% respectively YoY, according to Placer.ai.

Despite COVID-19 shutdowns, traffic to PLK restaurants was up 6.9% in March and 2.6% in April.

The Foolish takeaway

While Warren Buffett does not divulge the reason behind his investments or exits, the dumping of QSR stock does come as a surprise. Prior to the pandemic, the company was on an enviable growth trajectory with a strong focus on expansion.

It remains one of the most compelling growth stories in the restaurant space and has already gained 90% after bottoming out in March 2020. Further, the company's strong balance sheet and a dividend yield of 3.3% makes it a top bet for growth and income investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/23
Date Created
2020/08/21
Author
araghunath