Warren Buffett Dumped This TSX Stock! Should You?

Description

Warren Buffett is known for making investment moves that can send individual stocks into turmoil.

Take, for instance, **Delta Air Lines**. The morning after it was announced that Warren Buffett's **Berkshire Hathaway** sold nearly one-fifth of its stake in the airline, the stock plunged as much as 7%. The stock torpedoed to its lowest level since 2013 and wiped out more than US$1 billion from the company's market capitalization.

Buffett's latest move

Recently, Buffett dumped all of his shares of another well-known stock, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR).

Buffett did not disclose why he exited his entire position in RBI, and the move came as a surprise to many. Prior to the pandemic, the company was on a strong growth trajectory with a focus on expanding its brands.

This growth may be one of the reasons investors seemed to shrug off the move by Buffett. Unlike shares of Delta, which plummeted after Buffett's announcement, shares of RBI rose slightly by 0.1% following the news.

Strong quarterly results

In the company's latest quarterly results, RBI reported sales of $1.05 billion. Like most restaurant stocks, RBI was hurt by the mandated closures resulting from the coronavirus pandemic. But by the end of second quarter, the company had recovered to 90% of its prior-year system-wide sales.

RBI has reopened almost all of its restaurants since being forced to close due to COVID-19. During the pandemic, the company was able to offset the decline in its restaurants, by focusing on its drive-thru, digital, and delivery channels. For the quarter, digital sales were up 120% year over year.

Popeyes is the shining star

Although Tim Hortons is probably the most well-known banner in RBI’s chain of restaurants in Canada, it is another brand of the company that is garnering the most attention from investors: Popeyes. This popular restaurant chain is quickly becoming the shining star in RBI’s portfolio.

In a recent open letter to shareholders, CEO Jose Cil reflected on how the company fared during COVID-19. The letter, “100 Days Later: Recovery, Growth and Reflection,” highlights the company’s commitment to building the most loved restaurant brands in the world.

Judging from the public’s insatiable appetite for Popeyes food, the brand is quickly moving up in the fast-food wars. Despite the COVID-19 shutdowns, traffic to Popeyes restaurants was up 6.9% in March and 2.6% in April.

The bottom line

As of this writing, RBI stock is trading at $72. Although the stock was trading near $105 a year ago, RBI has recovered from its March low of $36.48.

While the Tim Hortons’s brand continues to be a drain on RBI’s balance sheet, Popeyes is picking up the slack. This growing popularity in Popeyes, and the subsequent fast pace of new restaurant openings, has made RBI one of the most compelling growth stories in the restaurant sector.

Although Buffett has dumped the stock, investors are eager to see where RBI will go. With the pandemic closures behind the company, and its strong quarterly results (even during the pandemic), RBI should continue to reward shareholders.

CATEGORY

1. Coronavirus
2. Investing

POST TAG

1. Editor's Choice

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. Coronavirus
2. Investing

Tags

1. Editor's Choice

Date
2025/08/23
Date Created
2020/08/25
Author
cdye