



Buy This Bill Ackman Stock While it's Still Down and Out

Description

Bill Ackman, legendary hedge fund manager and activist investor previously known as Baby Buffett, is back in the spotlight in 2020 following his jaw-dropping market short that bagged him US\$2.6 billion, as the financial markets imploded under the weight of coronavirus fears. More recently, Ackman upped his stake in one of his favourite TSX-traded companies in **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)).

Restaurant Brands is the fast-food kingpin behind such names as Tim Hortons, Burger King, and Popeyes Louisiana Kitchen. Shares of QSR have been heavily out of favour amid the crisis, but I view deep value to be had for those investors willing to put up with another year or so of choppy moves.

There's no question that Restaurant Brands had its fair share of issues before the pandemic. The company has failed to find a spot with Canadian consumers with its Tim Hortons brand. After a few management shuffles, the brand has yet to gain significant traction.

Bill Ackman is probably right on the money about Restaurant Brands

Indeed, the Tim Hortons brand itself is still very powerful. Under the right leadership, I think the company can unlock the full power behind the brand. While Bill Ackman has not mentioned he's about to get more active with his stake in Restaurant Brands, there is speculation that the man is leaving the door open, as 3G Capital looks to brew a turnaround at Tim Hortons and its other banners coming out of this crisis.

When it comes to investing in restaurant stocks, Ackman is an undefeated heavyweight champ. The man has made a killing on various fast-food stocks over the years, which played a significant role in lifting his hedge fund Pershing Square out of the slump sparked by its soured investment in Valeant Pharmaceuticals many years back.

Amid the crisis, Restaurant Brands is in the middle of the pack as far as fast-food firms (not including

pizza plays) are concerned. Comps have continued to be on the downtrend in July, but the company has been putting in the extra effort to improve upon delivery and mobile. Coming out of this pandemic, such enhancements are to remain, and Restaurant Brands could quickly rocket out of this crisis a lot stronger than when it entered.

For now, management is pulling the brakes on unit growth. Once this pandemic concludes, however, I suspect Restaurant Brands will be right back to firing on all cylinders with an aggressive expansion. Ackman loves Restaurant Brands stock, because it's a fairly easy-to-understand business with robust cash flows, low capital requirements, and a long growth runway. Most importantly, the valuation is severely depressed.

Foolish takeaway

Whether or not Ackman gets more active with his position, Restaurant Brands stock is a [must-buy](#) while it's [severely undervalued](#). The long-term fundamentals are still fully intact, and management has been improving its business amid this slump.

This crisis is causing a major disruption to QSR's business over the medium term, but once it passes, I think the company will be back to full-on earnings growth and would be unsurprised if shares blast past \$120 on news of a vaccine breakthrough.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

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

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