Warren Buffett Finally Sells Something: It's Canada

Description

It wouldn't be justified to say that Warren Buffett has become more relevant now than he has ever been, but he is getting a lot of spotlight in the wake of the pandemic-driven market crash. Buffett is famous for benefiting from market crashes and recessions. The wizard of Omaha is a staunch believer of the U.S. economy and businesses, and when he buys something during or after a crash, investors try to learn from it.

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But buying isn't all he does when a market crashes. Since he believes in investing in good businesses and sticking with them until they aren't good businesses, he also let go of investments he no longer believes in. One prominent example in this market crash was when Buffett let go of his airline investments. He always was skeptical of the industry, and when he finally bought airlines in 2016, he only got to benefit from them for about four years.

2020 has so far been brutal for airlines, and the recovery prospects are getting darker every quarter. Buffett's move regarding airlines makes sense. But he also sold his stake in one Canadian investment, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). The company came into being due to a US$12.5 billion-merger between Tim Hortons and Burger King — a merger that Buffett partly funded.

So, why did he let go of the company?

Bailing on fast food

Fast food and restaurants, especially the ones that rely more on dine-in customers than deliveries and takeaways, have suffered almost as much as airlines. The situation is a bit better now, and many of the fast-food chains have grown their market value quite a bit since the crash in March. And it's not like RBI is the only food-related stock in Buffett's portfolio. Why was it the only fast-food company he sold?

If valuation and temporary fall in revenue was the only reason Buffett sold this company, he might have found other contenders in his portfolio as well. And while he didn't specify the reason for dropping RBI, one of the reasons might be that Tim Hortons's sales that have been slipping for a while now. Out of three of RBI's brands, Tim Hortons is the only one where system-wide sales growth has been slowly declining.

The stock

The stock as a whole doesn't look as bad as it could have, considering the situation. Tim Hortons's shortfall has been covered partly by Popeyes's decent sales numbers. RBI's stock fell well over 57% during the market crash (from its start-of-the-year valuation). Since then, the stock has recovered well over 80%.

It's also a Dividend Aristocrat, with a decent enough yield of 3.7% and a relatively dangerous payout ratio of 95%. This is expected to settle down once the fear of pandemic is a bit more under control in both the U.S. and Canada.

Foolish takeaway

RBI is still trading at a discount, and despite Buffett's disapproval of the company, it still seems like a sound enough investment. It has a strong balance sheet, a sizable global footprint, and two very community-based brands. If Tim Hortons manages to gain its popularity back in Canada, RBI's sales and the stock price might soar in the future.

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