



Warren Buffett: On the Brink of a Canadian Market Crash

Description

Is Warren Buffett guarded of Canada's [stock market](#)? His recent moves seem to suggest the **TSX** is not as stable as Wall Street. As of October 9, 2020, the three leading indices – **Dow Jones** (+0.79%), S&P 500 (+8.71%), and **NASDAQ** (+31.11%) – are in positive territory.

Meanwhile, the TSX is down 2.93% year to date, with five of the 11 primary sectors in the red. The information technology sector (+44.41%) is the top performer, while the energy sector (-52.84%) is the worst.

Buffett raised eyebrows when his conglomerate, **Berkshire Hathaway**, sold its entire stock holdings in **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) in the first quarter of 2020. You can't decipher his [motivation behind the sale](#) except to think the TSX is heading towards another market crash.

Gripped with panic

Mr. Buffett was panic-stricken in the first quarter of 2020. The shares of Restaurant Brands sank to \$39.89 on March 18, 2020, at the market crash height. However, the restaurant stock is trading at \$78.25 per share or a 96% jump from its COVID-19 low. The stock is down by only 2.52% year to date.

Restaurant Brands was quick to adjust during the pandemic. The company recovered soundly due to its off-premise and value-focused business model. Billionaire Bill Ackman of Pershing Square Capital holds a different view of restaurants. Its investing record in the restaurant industry is impeccable.

Pershing has never lost money on any of the investments. Restaurant Brands is a core holding since 2012. For Ackman, the quick-service restaurant is a high-quality business. Cash flows are predictable, while growth is durable. Similarly, it's a catalyst in the COVID-19 environment to separate it from other stocks.

Competitive advantage

Restaurant Brands took its marketing strategy to the next level. The focus is on the off-premise business consisting of the drive-thru, delivery, and digital channels. Management's digital investments are rising to expand its delivery footprint, drive mobile app adoption, and improve loyalty programs.

Pershing Capital owns 25.1 million shares of Restaurant Brands and zero Berkshire Hathaway shares. Unlike Buffett, Ackman remains bullish. He believes each brand's concept (Burger King, Tim Hortons, and Popeyes) will emerge stronger from the pandemic.

The fast-food chain operator has a competitive advantage in a socially distant and more budget-conscious consumption. For would-be investors, Restaurant Brands pay a respectable 3.53% dividend. A \$25,000 investment is adequate to produce \$882.50 in passive income.

More buys ahead

The Oracle of Omaha was more of a net seller in the first half of 2020. Some of his moves were uncharacteristic, including the sale of Restaurant Brands. Investors did not ride on his coattails when he sold the restaurant stock. However, I don't think he dumped the stock because the TSX is crashing. He just lost his appetite for fast-food.

In the third quarter, Berkshire Hathaway is active again and drawing from its \$147 billion cash stockpile. About \$19 billion came out of the coffers. His next foray will be in the TV network business. Buffett's firm will invest \$600 million in **E.W. Scripps** so it can acquire ION Media. Indeed, the legendary investor is back in his element.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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