1 Overachieving Stock to Avoid Like the Plague

Description

Canadian investors who are interested in the recovery of **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) were presented with a very challenging situation when the Oracle of Omaha exited his entire position in the stock.

On the surface, everything seems to be okay with RBI. The restaurant operator has Burger King, Tim Hortons, and Popeyes Louisiana Kitchen under its belt. The stock stumbled with the onset of COVID-19 and the ensuing lockdowns. However, the company managed to regain its momentum, and its valuation has returned close to its pre-pandemic pricing.

Should you avoid this stock like Buffett? Let's take a look.

Challenging circumstances

Restaurant Brands International operates three massive fast-food chains and is a significant presence in the international restaurant industry. However, the onset of COVID-19 and the lockdowns completely disrupted its operations in the first quarter of 2020.

The initial setback saw RBI lose more than 54% of its value in a few weeks, and it hit its March bottom valuation of around $40 per share. The company managed to resume operations, and its digital and drive-thru sales offset 90% of the revenue lost from the lack of dine-in sales. Around 93% of its restaurants have resumed operations worldwide, and it seems like it is on a path to recovery.

However, the spike in COVID-19 cases could lead to a massive shutdown of its operations and a drastically decline its revenue. Further shutdowns could make the conditions unfavorable for recovery, and RBI could face another significant decline.

Another market crash

An overall weakness in the economy could also make Restaurant Brands a stock you might want to avoid. While it is generally a safe long-term investment, restaurant stocks could suffer greatly if there is another market crash.

There is no visible end to the pandemic, and RBI is trading at 10.36 times its book value. Additionally, it has a forward price-to-earnings ratio of 28.35. A market crash could see the stock nosedive to a much lower valuation in the short term, which can devastate your capital if you invest it in RBI.

I would advise avoiding the RBI stock and looking at companies that could fare better during the pandemic.

A better option to consider

Warren Buffett exited his position in RBI, and the latest 13F filing by **Berkshire Hathaway** revealed that the billionaire investor bought US$564 million worth of **Barrick Gold** (TSX:ABX)(NYSE:GOLD) stock.

The gold mining company is not a typical Warren Buffett investment, but the Oracle of Omaha must have decided to invest in the company because he sees value in Barrick.

The second wave of infections risks propelling us into a negative interest rate environment. Additionally, there are bigger chances of high inflation, even when the world recovers from the pandemic. Such an environment makes ideal conditions for gold prices and gold stocks.

Barrick could prove to be a valuable addition to your portfolio, as more people rely on the safe-haven commodity to protect their wealth.

Foolish takeaway

I cannot exactly predict what will happen to Restaurant Brands International in the coming months. However, I am sure that the picture will not be pretty for the restaurant operator if the second market crash comes. I would advise considering investments that present value during a volatile economy. Barrick could be an excellent investment for this purpose.

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