



Warren Buffett: Should You Buy This Top TSX Stock He Just Sold?

Description

Warren Buffett does not have significant holdings in Canada. The stocks that he does hold often garner more attention. Last week, I'd discussed why Warren Buffett was high on **Suncor** after [bailing](#) on **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) in the summer.

Why did Warren Buffett bail on RBI?

RBI stock has dropped 3.8% in 2020 as of close on October 15. Shares have fallen 12% in the year-over-year period. Meanwhile, shares of Suncor have plunged 60% so far this year. The restaurant and energy sectors have both been throttled by the COVID-19 pandemic.

The fear of a second market crash has painted Warren Buffett's decision making in recent months. In the summer, his company **Berkshire Hathaway** uncharacteristically added over \$500 million in **Barrick Gold** stock. Buffett has historically been a vocal critic of precious metals investing. However, it is likely that gold's momentum in 2020 became impossible for his firm to ignore.

Is Buffett's dumping of RBI warranted?

Taking a snapshot of RBI

Back in June, I'd discussed how [damaging](#) the COVID-19 pandemic had been for Canada's restaurants. Fortunately, fast-food restaurants have proven to be more resilient than their brethren. The company released its second-quarter 2020 results on August 6.

RBI's drive thru and digital channels powered a 30-point recovery in comparable sales across its brands from March to the end of June. Meanwhile, it managed to open over 4,500 restaurants in Q2 2020. Of its top brands, Popeyes Louisiana Chicken continued to impress after the debut of its popular chicken sandwich. It posted system-wide sales growth of 24% compared to declines of 33% and 25% at Tim Hortons and Burger King.

Unlike the first round of lockdowns, we are unlikely to see mass closures for fast-food locations in the months ahead. This is a key point for investors who are looking to play opposite Warren Buffett on this stock. By the end of the second quarter, RBI was back to 90% of its prior year system-wide sales with 93% of its restaurants open worldwide.

So, should investors look to add RBI in the middle of October?

Should you differ with Warren Buffett today?

Warren Buffett is one of the most influential proponents of value investing. I'd like to make the argument that RBI fits within Buffett's value investing framework. Shares of RBI last possessed a price-to-earnings ratio of 27. This puts the stock in favourable value territory in comparison to industry peers. Moreover, RBI still offers a quarterly dividend of \$0.52 per share. This represents a 3.5% yield.

Contrary to Warren Buffett, I'm still riding with RBI in the fall. However, there are signs that a second wave of market instability may be nearing. Investors should turn their attention to overpriced stocks, which are plentiful on the TSX right now. RBI does not look like it fits that description as of close on October 15.

CATEGORY

1. Dividend Stocks
2. Investing

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

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