



Warren Buffett Won't Touch This 1 Canadian Stock With a 10-Foot Pole

Description

Countries around the world had different responses to the 2020 pandemic. In Canada, there was a swift response by the federal government to prevent the spread of the coronavirus and mitigate its impact on the economy. In the stock market, investors looked to Warren Buffett for guidance.

The legendary investor said about COVID-19, "We haven't faced this exact problem, but we've faced tougher problems." Still, Buffett was also blind-sided when the pandemic struck. His first response was dump stocks in [pandemic-stricken industries](#).

With the lockdown affecting the restaurant business, Buffett's **Berkshire Hathaway** sold its entire stock holdings in **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)). The shares of the Canadian quick-service restaurant icon were displaying a strong growth trajectory before the pandemic.

The move to sell the Restaurant Brands was shocking to Buffett's loyal followers. He dropped the fast-food chain operator and took a new position in **Barrick Gold**. People know that the GOAT of investing had little confidence in gold. Today, Buffett won't touch the [restaurant stock](#) with a ten-foot pole.

Resilient restaurant stock

The shutdowns sent fears through Restaurant Brands investors, including Buffett. On March 16, 2020, the stock fell 21% from \$61.41 to \$48.68. It hit rock bottom and closed at \$39.56 on March 18, 2020. However, the sharp decline was temporary, as the restaurant stock continues to display resiliency.

As of year-end 2020, the share price is \$77.83, or a 97% rally from its COVID low. For the year, QSR lost by only 2%. The \$23.65 billion operator of Burger King, Tim Hortons, and Popeyes also pays a 3.44% dividend.

High-quality investment

Unlike Buffett, billionaire Bill Ackman never lost confidence in Restaurant Brands. The hedge fund

manager and CEO of Pershing Square Capital see the quick-service restaurant as a high-quality investment, particularly in post-pandemic. The business has predictable cash flows, durable growth, and a catalyst in the coronavirus era.

Pershing Square's investments are extensive. Likewise, it boasts of a successful track record investing in restaurants. Ackman's firm has never lost money on any investments in the industry. On average, the return is 55.22%.

Buffett is a long-time QSR investor, but his appetite soured due to the pandemic. Ackman has been an investor in the pure franchising company since 2012. His company also dumped its entire stock holdings in Berkshire Hathaway in 2020. Ackman expects Restaurant Brands to do even better in 2021, as people aim to spend less on meals in a recessionary environment. For safety reasons, customers would prefer take-out or drive-thrus than dining in.

Restaurant trends

Expect Restaurant Brands and similar businesses to take a different marketing approach this year. The company is modernizing its drive-thru at existing restaurants by installing digital screens with predictive selling technology. It will also most likely invest heavily in technology to digitally connect with frequent customers and deepen loyalties. Last December, Burger King teamed up with Google.

QSR's burger chain plans to roll out mobile-focused restaurants. More than 5,000 restaurants nationwide will have the service. The new features would include dedicated mobile order and curbside pickup areas, drive-in and walk-up order areas and enhanced drive-thru. Another critical advantage is menu reduction, because it improves drive-thru time while helping reduce costs and support struggling franchises.

CATEGORY

1. Dividend Stocks
2. Investing

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

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