



The Top Warren Buffett-Approved Canadian Stock for 2021!

Description

As far as the best growth stocks in the consumer discretionary space go, **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)) continues to be a top pick of mine. Here's why I think this could be a Warren Buffett-esque type investment for Canadians in 2021.

Business model pandemic-proof

Pandemic-related [fear selling](#) provided a very nice buying opportunity for long-term investors in this stock. Since March, shares have recovered more than 25%. This speaks to the stability of this stock relative to other growth names out there, as this dip was material, but not nerve-shattering. There's much to be said about the lower-volatility nature of this company relative to its growth prospects.

Concerns around restaurant closures drove this company's share price markedly lower. I think this selloff was unwarranted, given the strength we've seen in the quick service restaurant segment of the restaurant sector. This sector has proven itself to be a recession-proof area of the market to invest in for years.

I wonder how investors got to thinking this time would be different. However, when we see dips like the one that materialized in March, steady long-term investors made a very nice profit.

Core banners remain growth machines

Looking past the pandemic, investors should focus on the strength of Restaurant Brands' core banners. Tim Horton's (Canada's favourite), Burger King, and Popeyes Louisiana Kitchen combined have a very solid long-term growth trajectory. Despite under-performance from Tim Horton's in recent years, I think the company's management team has the wherewithal to restore this growth franchise business to its former glory.

Where I think the real value with Restaurant Brands stock is today is with the company's other two banners. Burger King is the second largest fast food chain in the U.S. and is well positioned for

continued growth in North American and abroad. Popeye's specifically is the growth story everyone was hoping it would be when the banner was recently acquired. This chain has posted consistent double-digit same store sales growth levels.

I believe this sales trajectory is possible to be maintained, or even accelerate, in the years to come. The banner's chicken sandwich has sparked a "chicken sandwich war" among fast food chains, and is the envy of the sector. Continued menu innovation is likely to drive additional interest in each of the company's three banners. Accordingly, these banners have a realistic path to significant growth with or without the pandemic-related restrictions overhang.

New restaurants continued to be opened

In addition to same-store sales growth, the other two growth areas for this company are new restaurant openings and future acquisitions. New restaurants continued to be open, including in growth regions of the world (particularly Asia). This continues to be a core driver for this company. I anticipate, if anything, the pandemic will make new store openings easier.

With more vacancies and better locations opening up due to store closures, Restaurant Brands could see growth coming out of this pandemic to a greater degree than its peers.

The Warren Buffett element

Restaurant Brands hasn't done an acquisition in a while. However, I think another banner is on the horizon given the strength of this company's balance sheet and its massive cash flow generation that exists today. The company's leveraged buyout partner, 3G capital, is always on the lookout for deals.

Warren Buffett has also backed acquisitions in the past, posting financing for the company's Popeye's deal which was ultimately very lucrative for all parties involved.

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