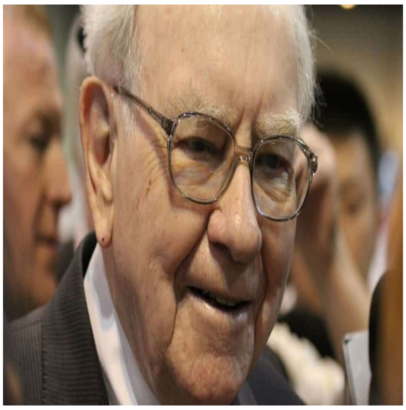

OPINION: Warren Buffett Made a Mistake Selling This Great Canadian Stock

Description

When Warren Buffett makes a move, his disciples tend to follow in his footsteps, even if they don't understand the reasoning behind such moves.

The "Buffett premium," which tends to be slapped onto his new positions upon announcement, also stands to vanish once it's declared that he's trimmed or sold out a stake. That makes it pretty unrewarding to follow the man blindly into or out of stocks over the near term. You need your own investment thesis. Just because Warren Buffett is buying doesn't mean you should pay a Buffett premium to Mr. Market and vice-versa.

Did Warren Buffett dump QSR stock too soon?

Warren Buffett's decision to eliminate his stake in **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), I believe, will turn out to be a bigger mistake than his decision to ditch shares of **Wal-Mart Stores** before they blasted off to new heights. While there's a lot of baggage to be had with those battered and bruised shares of Restaurant Brands, I think it's far too soon to give up on a company that owns three of the most powerful brands in the fast-food scene.

For those unfamiliar with the name, it's the firm behind such names as Burger King, Tim Hortons, and Popeyes Louisiana Kitchen. The former two brands, while comprising a vast majority of Restaurant Brands's revenues, have been real drags on QSR stock, while Popeyes has seen profound success (people can't seem to get enough of Popeyes's new chicken sandwich) and been to the envy of the industry.

I believe (former) investors (Warren Buffett included) are heavily discounting the longer-term growth potential behind Popeyes while also disregarding the turnaround potential behind Tim Hortons.

Burger King faces stiff competition in the road ahead, most notably with **McDonald's** with its "beefed up" value menu and new product innovations led by its new CEO, Chris Kempczinski. For many QSR shareholders, the big fast-food scene's competitive landscape is enough reason to throw in the towelon the stock.

Restaurant Brands stock under pressure, but don't discount a 2021 recovery

The main reason many investors (including the likes of Warren Buffett) have been giving up on Restaurant Brands is due to the continued woes faced by Tim Hortons, which hasn't lived up to its full potential since joining the likes of Burger King under the Restaurant Brands umbrella. Plagued by numerous issues over the years, the iconic Canadian coffee and bake shop has struggled to get comps moving in the right direction, and the COVID-19 pandemic has only made a bad situation much worse.

Many telecommuting Canadians are skipping on the morning double-doubles, and QSR shareholders have been feeling the pressure through 2020, as Tim Hortons is one of those quick-serve chains that's been most affected by the pandemic. As President Biden ramps up on efforts to eliminate the insidious coronavirus, I think the Tim Hortons brand is due for an incredible recovery versus the likes of most other fast-food chains that have stocks that have already broken out to all-time highs.

A turnaround could be brewing at Tim Hortons as soon as late 2021. And I don't think it's far-fetched to think that the chain could have a blockbuster product (what's the Tim Hortons equivalent of a Popeyes chicken sandwich?) that could win back the business of customers who've since moved on.

In any case, I think Warren Buffett ditched his shares of Restaurant Brands too soon and would encourage Canadian investors to look to QSR stock as a value-conscious reopening play.

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Date
2025/08/21
Date Created
2021/01/21
Author
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