Warren Buffett: Did He Make a Mistake Selling Airlines in 2020?

Description

Did Warren Buffett give up too quickly on airline companies at the height of the COVID-19 selloff in March 2020? A case in point is **United Airlines**. The GOAT of investing made the right decision because the airline stock was the fifth-worst stock in the **S&P 500** last year, losing 50% of its total value.

Ironically, data from S&P Global Market Intelligence and MarketSmith shows that the worst S&P 500 stocks of 2020, including United Airlines, are gaining an average of 33% so far in 2021. If **Berkshire Hathaway** didn't sell its 22.1 million shares in Q2 2020, the investment would be US$480 million more today.

Ugly and big blunder

Warren Buffett isn't someone who will hide his investing blunders. Some of them cost his conglomerate billions of dollars. Berkshire Hathaway earned US$42.5 billion last year but had to write-off US$11 billion for the losses in Precision Castparts.

Precision Castparts is an aerospace manufacturing firm that suffered the same fate as airline companies worldwide. Business virtually stopped due to the global pandemic. Berkshire spent $32 billion to acquire the company.

It wasn't Buffett's only error in judgement. Apart from misjudging the average amount of future earnings, his calculation of the price to pay for the business was wrong. The adverse developments throughout the aerospace industry revealed his miscalculation.

Another possible mistake

Berkshire Hathaway held **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) for a very long time until COVID-19 came along. Buffett lost his appetite for the restaurant stock and feared the government-mandated shutdown would cripple the business.

QSR managed to stage a sterling comeback and rise from its COVID-low. The current share price of $81.08 is 91.8% higher than it was a year ago. Had you picked up the stock on March 19, 2020, and invested $50,000, your money would be worth nearly $96,000 today. The company pays a 2.69% dividend too.

Restaurant Brands is about to become a global power through Popeyes. The fast-food chain's ordinary chicken sandwich went viral and is now the hottest fare on the menu. The transformation of the once sleepy brand is remarkable. You can say the frenzy the chicken sandwich started was the saving grace of the entire group.

Popeyes will soon make its U.K. debut, and expansion in about 30 countries will follow, including the Australian market. Hundreds of locations will also open in Mexico via a new franchise partner. The first Popeyes opened in China last May 2020, and management hopes to grow the number to 1,500 in 10 years.

Burger King and Time Hortons didn't fare well in 2020, but Popeyes grew by 15%. The brand generated $556 million in sales (11% of total revenue) from 3,400 locations worldwide. Restaurant Brand CEO, Jose Cil thinks a huge opportunity awaits. Since the rise in popularity of the chicken sandwich, offers from potential franchisees worldwide are pouring.

Make well-informed decisions

Even the best investors can make mistakes. It only shows that no one can time the market. Your key to success is to be well informed when you make investment decisions. Understand the business and look for the company's competitive advantages.

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