



1 Dividend Stock Warren Buffett Sold That I'm Buying

Description

The restaurant industry looked to be in the clear in the late winter, as Ontario and other Canadian provinces moved forward with their reopening plans. However, a spike in COVID-19 cases has caused the political class to twist and turn once again. Some major cities, like Hamilton, Ontario, have already been pushed back into the grey lockdown zone. Perhaps this general uncertainty inspired [Warren Buffett](#) to dump his shares in a top Canadian dividend stock in the second quarter of 2020. Today, I want to explore that decision and explain why I'm betting on that same dividend stock in the months ahead.

Why did Warren Buffett sell this Canadian stock?

Coming into 2020, **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) was one of the notable Canadian stocks that Warren Buffett owned. Last March, I'd targeted RBI [for this reason](#). This would not last. The Oracle of Omaha went on to ditch all his shares in RBI in the second quarter of 2020.

This move proved to be well timed. RBI stock climbed back from the market pullback in March 2020, but its shares stagnated in the late spring and early summer. Canada's restaurants will likely lag in the first half of 2021. However, the National Restaurant Association projected that restaurant sales in the United States would increase 10.2% in 2021. That is good news for RBI, which boasts a sizable U.S. footprint with chains like Burger King and Popeyes.

I'm looking to jump back into the dividend stock that Warren Buffett ditched back in Q2 2020. Let's explore what RBI has going for it in the months ahead.

How does RBI look after earnings?

In early February, I'd suggested that investors should [scoop up RBI](#) after the release of its last batch of 2020 results. The stock has climbed 9.3% in 2021 as of mid-afternoon trading on March 30. Its shares are up 45% from the prior year.

RBI significantly invested in its digital channels in 2020. It unveiled 3,600 digital menu boards in home markets over the past year. Global digital sales reached \$6 billion in 2020, and more than doubled in RBI's home markets. However, system-wide sales growth still fell 8.6% from 2019 to 2020. Adjusted EBITDA slipped 18% to \$1.86 billion.

The dividend stock announced its ninth consecutive increase in Q4 2020. It now offers a quarterly dividend of \$0.53 per share. That represents a 3.2% yield.

Warren Buffett is one of the most influential value investors on the planet. This style has fallen out of favour in some respects since the Great Recession. However, the Oracle of Omaha has shown that it is still an effective strategy in the near term. Does this dividend stock fit the value investing framework right now?

This dividend stock is worth holding forever

Shares of RBI last had a P/E ratio of 41. That makes it a pricier pick than some other top dividend stocks on the TSX. One could speculate that this was one of the reasons Warren Buffett strayed from the stock in Q2 2020. Regardless, I'm still optimistic about its prospects in the quarters to come.

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