1 TSX Stock Warren Buffet Sold That You Should Buy

Description

When Burger King and Tim Hortons planned to merge in 2014, they announced that **Berkshire Hathaway** was their funding source. Warren Buffett's empire will provide US$3 billion in preferred equity financing but will not be actively involved in the management and operations of the business.

The combination gave rise to **Restaurant Brands International** (TSX:QSR)(NYSE:QSR). A third brand was added in 2017 when RBI acquired Popeyes Louisiana Kitchen. The three forms the core business segments of the $23.44 billion franchisors of the fast-food chain headquartered in Canada.

RBI redeemed the preferred shares from Berkshire in the same year, and reports said the redemption included a 9.9% premium. However, Buffet remained an investor through his conglomerate until the coronavirus breakout in March 2020.

Panic mode

The Oracle of Omaha pushed the panic button on RBI as he did with airline stocks. Berkshire dumped its entire holdings in American Airlines, Delta Air Lines, Southwest Airlines, and United. He knew border closures and travel restrictions would hurt the airline industry badly.

While he admired airlines, Buffett said, "Sometimes there are events like the coronavirus … on the lower levels of probabilities that necessitate a quick change." He adds, "When we sell something, very often it's going to be our entire stake. We don't trim positions."

Buffett expected the shutdowns and social distancing mandates to cripple the restaurant industry too. Based on filings with the S.E.C., Berkshire trimmed its holding on March 31, 2021, before closing its position in RBI on June 30, 2020. Like many others during the market selloff, the restaurant stock tumbled 12.8% to $39.24 on March 18, 2020.

Quick recovery

Berkshire's ditching of RBI had little impact on investors. On June 30, 2020, the share price ($72) was up 83.5% from its COVID low. The stock eventually finished at $77.19 on December 31, 2021, a mere 1.98% loss overall for the year.

Unlike Buffett, billionaire Bill Ackman, founder of Pershing Square Capital, saw a winner in RBI. His investment firm added more shares of the restaurant stock in August 2020 while exiting Berkshire Hathaway.

Ackman believed that dine-in restrictions will drive takeout, delivery, and drive-through sales. As of June 30, 2021, RBI shares compose 14.26% of Pershing Square's US$10.7 billion assets under management (AUM).

Business performance

Ackman remains bullish on the Canadian fast-food chain operator, his favourite in the restaurant space. Due to the health crisis, RBI suffered significant declines in system-wide sales, system-wide sales growth, and net restaurant growth in 2020 versus 2019.

However, it's been a remarkable comeback so far this year. In the first half of 2021, total revenue grew 18.7% compared to the same period in 2020. Net income soared 70.62% to US$662 million. CEO José E. Cil hopes the easing of restrictions plus the digital and marketing capabilities of RBI will help the business return to pre-pandemic levels.

Buying opportunity

Although Warren Buffet is one of the greatest value investors, he's not perfect. He admits to making wrong decisions or miscalculations in his investing career. RBI is a buying opportunity today, trading at a slightly discounted price of $75.98 per share (-1.57% year to date). Based on market analysts' buy ratings, the return potential in the next 12 months is 16.26%. The total return should be higher if you factor in the 3.5% dividend.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. arosenberg
2. cliew

Category

1. Dividend Stocks
2. Investing

Date
2025/07/21
Date Created
2021/10/18
Author
cliew