



One Key Difference Between Coronavirus and the Financial Crisis

Description

Investors of **Restaurant Brands International Inc.** ([TSX:QSR](#))([NYSE:QSR](#)) have certainly felt the pain inflicted by the coronavirus pandemic and worries about a global recession. Restaurant Brands' share price has been cut by more than half from its recent peak.

One interesting consideration for me is how hard hit fast-food companies like Restaurant Brands have been. We saw in the financial crisis the benefit of low cost food in times of serious economic hardship.

Coronavirus versus the financial crisis

One key difference some bears on Restaurant Brands have pointed out is the reality that a significant amount of business that goes through the doors of the company's three banners is sit-down business. Drive-thru and/or delivery options simply aren't available everywhere.

The fact that some store sales at Tim Hortons has struggled prior to this outbreak has already spooked some investors. With more and more areas of the world officially on lockdown, drive-thrus are getting less and less traffic. Folks are now being forced to enjoy a cup of instant coffee at home instead of a cup at Tim Hortons.

Restaurant Brands' sky high valuation

Another key issue for Restaurant Brands has hurt its stock price of late: its valuation. Restaurant Brands' stock price has always been expensive. However, I've seen [good reason](#) as to why this is the case.

The company's core banners are very strong brands. I do see long-term growth potential moving forward, which previously justified its relatively elevated valuation.

Right now, the market is certainly not providing anything in the way of premium pricing. So it's understandable that even the best brands/intangible assets get devalued right now.

The future of Restaurant Brands

There are a number of positives that investors who do not yet have a position in Restaurant Brands can hang their hat on right now. First, the company's equity valuation has literally never been this cheap. So if you like the growth story of the company's core banners long term, that growth is now available at a discount.

Second, Restaurant Brands' business model is capital light. The company has a very long runway for growth in China once this virus is officially contained and the world returns to normal.

Third, Restaurant Brands is backed by 3G and Warren Buffet. Therefore, making another large acquisition at rock bottom prices right now is not such a crazy idea. After all, Mr. Buffet does like to be greedy when others are fearful.

Bottom line

I don't believe that global hamburger, coffee, donut and fried chicken (or chicken sandwich) consumption trends are going to change in any meaningful way. If you agree, then Restaurant Brands could be an excellent long-term portfolio addition, especially at these levels. The company's stock price could certainly go lower.

So don't bet the farm on it! But if you think Tim Hortons or Burger King down the street from you will be there in 10-20 years, as I do, then nibbling away could indeed turn out to be a great decision a decade or two from now.

Stay Foolish, my friends.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. canada
2. coronavirus
3. fast food
4. market crash
5. market selloff
6. restaurant brands

TICKERS GLOBAL

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

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. canada
2. coronavirus
3. fast food
4. market crash
5. market selloff
6. restaurant brands

Date

2025/07/06

Date Created

2020/04/10

Author

chrismacdonald

default watermark

default watermark