2 More Stocks Warren Buffett Should Consider

## Description

A previous article looked at a couple of Canadian companies that Warren Buffett could consider buying. And while it is practically impossible to predict his next move, especially since he has so many options, it doesn't hurt to speculate. After all, if we think Mr. Buffett may want to take a look at a particular company, then that company's shares may be a good investment for the rest of us too.



So with that in mind, below are two more companies that Mr. Buffett should consider. Each of them is very similar to an investment he made in the past. And each of them are compelling options for our portfolios too.

**1. CAE**

To understand why Mr. Buffett may be interested in **CAE** (TSX: CAE)(NYSE: CAE), one has to go all the way back to 1996, when **Berkshire Hathaway** bought FlightSafety International. FlightSafety makes its money from flight simulation services, which is very capital intensive – at the time, simulators could cost up to $19 million to build. But the economics were still attractive enough for Mr. Buffett.

CAE is the market leader in flight simulation, and thus FlightSafety's largest competitor. But there's an important distinction to be made between the two companies. FlightSafety makes all of its money off of services, which requires building an expensive simulator, then charging customers to use it over the simulator's life. CAE makes half its money off of selling simulators outright. And in this scenario, much of the purchase price is paid well in advance by the customer. This makes the economics far superior to FlightSafety's.

There is one reason why Mr. Buffett would never buy CAE: antitrust concerns. CAE and FlightSafety together would dominate certain markets in the United States, so Mr. Buffett will probably have to let this one go. But that does not stop the rest of us from trying to emulate the Oracle of Omaha by buying this stock.

**2. Aimia**

To provide context for **Aimia Inc** (TSX: AIM), one has to go all the way back to 1970, when Berkshire

Hathaway first started investing in Blue Chip Stamps. Blue Chip was a loyalty program in which customers collected stamps from partner retailers, pasted them into books, and eventually redeemed the stamps at special “redemption stores”.

Blue Chip was great for Mr. Buffett because the company received cash upfront (stores had to pay for the stamps when issuing them to customers), but only had to incur the related expenses later, when customers redeemed their stamp collection. This allowed Mr. Buffett to invest the money in the interim.

Blue Chip is no longer around, having lost out to more high-tech alternatives. But the modern-day equivalent is Aimia, best-known for the Aeroplan program. Like Blue Chip, Aimia collects cash upfront and pays the expenses later. Interestingly, Aimia only invests the money in safe securities such as bonds. But if Mr. Buffett were to buy Aimia, he could invest that money however he wants.

Aimia also isn’t overly expensive; the shares are cheaper now than they were in 2007, when Aimia had no international operations, and made much less money than it does today.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:CAE (CAE Inc.)
2. TSX:AIM (Aimia Inc.)
3. TSX:CAE (CAE Inc.)



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