



Invest Like Buffett: 3 Canadian Stocks the Oracle Might Buy

Description

Many would-be investors faced with the task of building a portfolio are quick to say, “Hey, I’m no Warren Buffett.” But really, who better to emulate?

Rather than newfangled daytrading techniques or technical analysis, Buffett chose to buy wonderful businesses at reasonable prices and hold for the long haul. It was this type of common sense that made him nearly the richest person on Earth.

No doubt the Oracle of Omaha can teach us all a thing or two about investing. So with theme in mind, here are three stocks Buffett might consider if he were based in Canada.

1. Tim Hortons

Tim Hortons (TSX: THI)(NYSE: THI) has what every company wants: excellent customer loyalty.

The ability to build a core of dedicated customers and keep those people buying your products is the hallmark of a wonderful business. Firms that can lock in a loyal base generate superior profit margins, putting them in the position to reward shareholders through dividends and share buybacks.

Tim Hortons has done just that. Since the company went public in 2006, Tim Hortons has repurchased over 25% of its outstanding shares and increased its dividend fourfold in size. That’s a management team that’s committed to rewarding investors.

2. Imperial Oil

Warren Buffett once said that, short of a polygraph test, share buybacks were the best way to tell if management was looking out for the interests of shareholders. If a company has reduced its share count, it’s proof that executives aren’t squandering investors’ capital on low-return, ego-boosting projects.

No other company represents this idea better than **Imperial Oil** (TSX: IMO)(NYSEMKT: IMO). Since 1992, the company has repurchased more than half of its outstanding shares. Over the past decade,

no other Canadian energy has returned more capital to shareholders than Imperial.

How has the company been able to pull this off? Imperial's management team is extremely disciplined in its capital allocation. Its executives will reinvest funds back into the business only if they can earn a sufficient return for shareholders, or they will return that capital to shareholders. While this policy has resulted in slower earnings growth relative to its peers, Imperial has generated the highest return on capital employed in the Alberta oil patch over the past decade.

3. Enbridge

What do almost all of Buffett's investments have in common? They own irreplaceable assets. Even with unlimited funds, another company can't build a competing business. Even better, these assets can't be replaced by some new technology any time soon.

Enbridge's ([TSX: ENB](#))([NYSE: ENB](#)) pipeline business is a great example of this. No other method of energy transportation can compete once a pipeline is in place. Also, because its difficult to secure the right-of-ways needed to lay new lines, pipelines rarely face direct competition.

It's this type of competitive advantage that has allowed Enbridge to earn big returns year after year. For 60 consecutive years, the company has managed to pay shareholders a dividend. Given the company's wide economic moat, this streak is likely to continue for another 60 years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:ENB (Enbridge Inc.)
4. TSX:IMO (Imperial Oil Limited)

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Author

rbailieul

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