Channel Your Inner Oracle With These 3 Buffett-Inspired Dividend Payers

Description

It's obvious why many investors are so quick to copy Warren Buffett. It's hard to argue with success.

Many investors, however, choose to take a slightly different path. Rather than copy Buffett's picks directly, they copy his style. They go looking for the kinds of stocks the man likes. Buffett has been generous sharing the kinds of traits he looks for in stocks over the years.

So instead of investors rushing into stocks like **Restaurant Brands International**, **Suncor Energy**, or the U.S. stocks owned by Berkshire Hathaway, these folks look for stocks that exhibit some of the same characteristics, including a reasonable valuation, a clear and obvious competitive advantage, and competent management.

Here are three such stocks in Canada, companies that could potentially be attractive to the Oracle of Omaha himself.

AutoCanada

AutoCanada Inc. (TSX:ACQ) is Canada's only publicly traded chain of car dealerships with more than 50 different locations stretched across the country. Approximately 50% of revenue comes from Alberta–one of the reasons why shares have fallen so much from highs set in 2014.

Growth potential in the industry is great. There are thousands of dealerships across Canada owned by private owners, often with just a dealership or two to their names. These owners are nearing retirement age, and many don't have family interested in taking over the business.

AutoCanada recently cut its dividend to free up cash to put towards debt repayment and a share-buyback program. Shares are attractively valued on a forward earnings basis, trading at just 12.9 times projected 2016 earnings and 11.6 times analyst expectations for 2017.

And remember, Buffett has invested in the sector before. **Berkshire Hathaway** paid billions for privately held Van Tuyl Group in a deal that officially closed in 2015.

Cineplex

One way Warren Buffett has consistently made money over the years is investing in consumer-discretionary stocks that own a dominant market share. **Cineplex Inc.** (TSX:CGX) is one such company.

Not only does Cineplex practically own the theatre business in Canada–boasting a market share of approximately 80%–but it has used that platform to successfully expand into a number of different businesses.

Take the Scene Card as an example. This partnership with the company and **Bank of Nova Scotia** now has more than six million members, making it one of the most successful credit cards in Canada. This arrangement alone puts a lot of butts in seats.

One growth area I think shareholders should be excited about is digital signage. Cineplex makes sharp displays for fast-food restaurants, banks, retailers, and other customer-focused businesses.

Cineplex pays investors a monthly dividend of $0.135, good enough for a 3.1% yield. That's a nice prize for holding such a high-quality stock.

Aimia

Although shares of **Aimia Inc.** (TSX:AIM) are down approximately 40% over the last year, I still think the owner of Aeroplan is still a company Warren Buffett would be interested in.

One reason is because it has a lot of similarities to the insurance business. Retailers buy miles to give to customers. Aimia can then invest this money for a period of time before the customer redeems them–assuming they get redeemed at all. Insurance premiums work in much the same way.

Aimia doesn't look like a very profitable company from an income-statement perspective, but it generates plenty of cash flow. The company predicts 2016 will see it generate between $1.25 and $1.44 per share in free cash flow–a significant amount of profit for a company only trading at $8.48 per share.

Additionally, Aimia pays a sweet dividend of $0.20 per share each quarter, which is good enough for a yield of 9.4%. Warren Buffett likes dividends because they enable him to move capital into other opportunities. I think that's a good attitude to have.

Aimia, Cineplex, and AutoCanada aren't the kinds of stocks Buffett can invest in today. Unless he takes over the whole company, he just can't get a position big enough to make a difference. But regular investors can, which is what makes these stocks attractive.

CATEGORY

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2. Investing

TICKERS GLOBAL

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