



3 Warren Buffett-Inspired Canadian Stocks to Buy in 2017

Description

It goes without saying, but I'll say it anyway: Warren Buffett is the greatest investor of all time.

Through nothing more than hard work, investing in great companies, and a whole whack of patience, Buffett turned **Berkshire Hathaway Inc.** from a struggling textile company into one of the world's largest and most influential businesses. When Berkshire does something, people listen.

Many investors try to emulate Buffett, spending hours figuring out where he'll invest next. This is surprisingly difficult. Buffett has given many clues about his investing style over the years, but he's still hard to predict.

It can be even tougher for Canadian investors to try and emulate the man they call The Oracle of Omaha. Berkshire has only a few investments in Canada, preferring to limit itself to U.S. markets.

So although it's unlikely Buffett will make a big splash in Canada in 2017, we can still think like the man and look for terrific stocks trading at reasonable valuations—the kinds of companies an investor can hold for a very long time.

Here are three Buffett-inspired companies that would look good in anyone's portfolio.

TransCanada

Buffett has made a career buying wide-moat companies—the kinds of enterprises that can't be easily usurped by competition. **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) is a the perfect example of such a stock.

Here's the way I like to look at it: if you gave me \$10 billion and told me to compete with TransCanada and its 90,000 km of natural gas pipelines, its Keystone Pipeline, which transports approximately 20% of western Canada's oil supply to southern refineries, and its more than 10,000 megawatts of power production, I just couldn't do it. I'd barely be a blip on the company's radar.

TransCanada is not a cheap stock by any means. The company lost money over the last 12 months,

although it did post an adjusted profit of \$2.48 per share. Still, that gives it a P/E ratio of more than 25, which is a little expensive, even for today's market.

The argument is simple. Investors need to pay for quality assets. And if there's one thing we've learned from Buffett, it's that great companies are often worth an inflated price tag.

SNC-Lavalin

A few years ago, back when the company was struggling under allegations of bribing local governments to get lucrative contracts, there were rumours that Berkshire Hathaway was poised to acquire **SNC-Lavalin Group Inc.** (TSX:SNC).

The company has a number of things going for it that Buffett would like. It is a capital-light business that mostly deals in expertise. The company has become the construction company of choice for many governments around the world. And it owns 17% of Highway 407, a valuable toll road in southern Ontario. The Highway 407 stake could be worth as much as \$5 billion—a large piece of a company with a market cap of \$8.8 billion.

And remember, Buffett has acquired assets from SNC-Lavalin before, paying \$3.1 billion for SNC's share of AltaLink back in 2014.

A&W

It's no secret Buffett is a big fan of the restaurant business—not so much owning the restaurant; rather, Buffett wants to be the parent company, which gets paid a percentage of every sale. Even if the restaurant goes under, the franchisor is in decent shape.

A and W Revenue Royalties Income Fund ([TSX:AW.UN](#)) has quietly grown into Canada's second-largest burger chain, trailing only **McDonald's**. It has done a terrific job growing same-store sales by using a combination of fresh ingredients, clever advertising, and promotions. The top line increased 7.6% in 2015 and 5.4% through the first three quarters of 2016. That's not bad in this environment, where competitors are barely increasing revenue by 2%.

A&W isn't cheap; shares trade hands at nearly 25 times earnings and it only yields 4.3%, which is much lower than its peers. Still, it's hard to argue against its recent success.

The bottom line

There are a number of things Warren Buffett looks for when buying stocks. He wants great assets that can't easily be disrupted by competitors. He's even willing to pay up for such companies. TransCanada, SNC-Lavalin, and A&W can all boast those qualities, even if none are particularly cheap.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:AW.UN (A&W Revenue Royalties Income Fund)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/11

Date Created

2016/12/28

Author

nelsonpsmith

default watermark

default watermark