

2 Warren Buffett-Like Stocks You Should Consider Buying

Description

Warren Buffett is probably the world's most well-known investor because of his success and being one of the richest people in the world thanks to it. He is a value investor that looks at the fundamentals of a company and makes sure it has a sufficient moat to be successful. Some of the fundamentals he looks at are companies with low debt-to-equity ratios of 0.5 or lower, returns on equity of at least 8%, a price-to-earnings ratio of 15 or lower, and a price-to-book ratio of 1.5 or lower.

I have found two stocks that meet these criteria and that could be great investment opportunities for value investors looking for companies with strong fundamentals.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) would be a good choice for value investors. Buffett likes to invest in bank stocks since the companies present stability and lots of growth. In Canada, banks have a lot more stability than the ones south of the border, where it is more common to see many different types of banks pop up. Here, the same potential just doesn't exist. As a result, the moat for the Big Five banks is very strong, and Bank of Montreal is no exception.

Bank of Montreal currently trades around 11 times its earnings and 1.4 times its book value. The bank has posted strong profits, and, for the past 10 years, only once has its return on equity dropped below 10% (8.75% in 2009); it has normally been around 12% and higher. Bank of Montreal's debt-to-equity ratio has also been stellar; it's currently at a ratio of just 0.12. The last time it reached even 0.20 was in 2011.

Bank of Montreal checks all of the valuation boxes, and you can see why Warren Buffett loves bank stocks; these are the types of companies that literally print money and will grow as long as the economy does.

Power Financial Corp. (TSX:PWF) is another company in financial services. It is a holding company with controlling interests in **Great-West Lifeco Inc.** and **IGM Financial Inc.** With companies in financial services and insurance, Power Financial also has a lot of stability in its investments and a lot of opportunity for future growth, especially as the economy continues to grow.

The company's stock currently trades at a multiple of 11 times its earnings and 1.4 times its book value. Power Financial's return on equity might even be more impressive than Bank of Montreal's; the holding company's return on equity hasn't dipped below 11% in the past 10 years, and in three of the past four years, it has been well over 14%. The company's debt-to-equity ratio is close to the 0.50 threshold, but it's still under it with a ratio of 0.44 in its most recent fiscal year. The company has gone slightly over the 0.50 mark in the past, most recently in 2013, when it finished at 0.53.

Bottom line

Both of the stocks here present safe, value investments that I think Warren Buffett would approve of. In case that isn't enough, these stocks also pay dividends. Bank of Montreal currently pays a dividend of over 4%, while Power Financial's yield is nearly 5%. There is plenty to like here for both value and

dividend investors.

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