3 Great Warren Buffett-Inspired Stocks to Buy in 2019

Description

Many investors simply copy the best minds out there. And there’s no finer business brain than Warren Buffett’s.

I’d recommend taking a slightly different approach. Rather than blindly buying the same stocks the Oracle of Omaha is adding to his portfolio, use his thought process to select the next batch of great Canadian companies.

Buffett has been incredibly generous over the years, sharing his investing knowledge with anyone who will listen. We know he likes asset-lite companies that generate a lot of cash flow. These companies must also have a moat — something that protects them from competition. And although his company doesn’t pay a dividend, Buffett loves receiving them from his holdings. We can use this information to construct our own Buffett-inspired portfolios.

Here are three great Canadian Warren Buffett-esque investment opportunities.

Boston Pizza

Buffett has long been a fan of restaurant stocks. **Berkshire Hathaway** owns Dairy Queen outright, and has taken minority stakes in other fast-food stocks over the years.

Note that Buffett isn’t much of a fan of the restaurant business itself. He always invests in the parent company, leaving the operations to the franchisee. Running a restaurant is hard work; sitting back and collecting a royalty on each sale is the easy part. That’s the part of the business you want to own.

Boston Pizza Income Royalties (TSX:BPF.UN) is Canada’s largest fast-casual restaurant brand with nearly 400 locations and more than $1 billion in system-wide sales. Since its initial public offering in 2002, it has paid 196 consecutive monthly dividends and increased its payout 18 times. This is the kind of long-term performance that should make investors salivate.

Boston Pizza has struggled a bit lately. Same-store sales have only crept forward by 0.2% thus far in

2018, with overall sales up a bit more thanks to new locations opening. And a corporate tax increase in the fund's home province of British Columbia has pushed up the payout ratio to slightly more than 100%, although that should return to under 100% next year.

These short-term struggles have created a nice buying opportunity today. Shares are currently under $14 each, which is flirting with a five-year low. This has pushed the dividend up to an eye-popping 9.3%.

Brookfield Real Estate

Buffett is a big fan of the real estate brokerage business model. Berkshire Hathaway's Home Services division has more than 1,300 offices and 45,000 real estate agents working under its various banners.

Brookfield Real Estate Services (TSX:BRE) isn't a large company, but it's a nice way for Canadian investors to get access to the real estate brokerage business. Its primary asset is the Royal LePage brand, as well as owning Via Capitale and Johnston & Daniel. Together these brands have approximately 19,000 agents working under them.

The business makes money from fees charged to the underlying realtors. It costs each Royal LePage agent $128 per month to continue representing the brand. Other fees are charged when a deal is completed and to the franchisee themselves.

Like Boston Pizza, Brookfield Real Estate pays out the majority of its earnings back to shareholders via dividends. The current yield is 9.8%.

Fortis

Although utilities don't exactly qualify as asset-lite companies, there's a reason why Buffett has put a big chunk of Berkshire's capital in the sector over the last two decades. It offers dependable returns with minimal volatility.

Many investors consider **Fortis** (TSX:FTS)(NYSE:FTS) Canada's finest utility, and it's hard to argue with that conclusion. It has great assets that are primarily located in areas with regulated power prices. It has successfully expanded beyond Canada into the United States and the Caribbean.

Fortis has one of the best dividend-growth records in North America. It has increased its payout for 45 consecutive years, dating all the way back to 1973. Management is confident Fortis can continue to deliver dividend increases in the future, too, projecting a 6% annual increase between now and the end of 2023.

Shares currently yield 3.8%. If management delivers on their dividend-growth expectations, investors who get in today will be looking at a yield on cost of 5.1% in just five years.

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
4. TSX:BRE (Bridgemarq Real Estate Services Inc.)
5. TSX:FTS (Fortis Inc.)

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