



Warren Buffett Buys Suncor Energy Inc (TSX:SU): Should You Do the Same?

Description

Warren Buffett is one of the most popular, successful investors of our time, and when he makes moves, people take notice. Recently, he made headlines again when his company **Berkshire Hathaway** disclosed that it had bought up shares of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and sold shares of **Apple** ([NASDAQ:AAPL](#)).

Should investors follow suit?

Buffett's popularity means a lot of investors follow his lead and make a lot of the same investment decisions. After all, if he's the best investor of our era, then it would seem like you can't go wrong following him. The problem is he also has enormous wealth and can afford to take on risks that others wouldn't be able to.

In the case of Suncor, the energy giant's stock price is still [recovering](#) from a collapse late last year, and over the past 12 months it is up just over 3%. Being a value investor, however, it's easy to see why Buffett would like Suncor's current valuation, as the stock trades at a very modest 1.6 times its book value and 22 times its earnings.

Although the company is impacted by oil prices, investors might be surprised to learn that Suncor's five-year high came in 2018, when the stock hit over \$55 while oil prices were still in recovery mode. It could be that Buffett expects that commodity prices will continue to improve and that the industry will get back on its feet, which could mean a tonne of upside for Suncor.

The problem is that given how volatile oil prices have been even in the past year, it's been difficult to predict that path, and there's certainly some risk involved in the decision, although Suncor is generally a safer energy stock than its peers. We also know that Buffett likes [dividends](#), and at 3.2%, Suncor offers a very decent payout for what's been a safe and consistent stock over the years.

The other move that Berkshire made, selling off Apple stock, might be easier to follow. Although the company sold off three million shares, with still around 250 million being owned by Buffett's company, it amounts to a rounding adjustment. A 1% change in holdings is likely nothing more than Buffett re-

balancing his portfolio and seeing a better opportunity available — the Suncor option — and choosing to free up some cash to make the move.

Apple is still a very stable stock for Buffett to have in his portfolio. While its dividend is a more a modest 1.7%, the company has a lot of consistency and predictability in its earnings, which is something Buffett values since it makes it easier to assess the company's intrinsic value. Apple isn't going anywhere anytime soon, as its popularity continues to be strong, and there haven't been any recent developments that suggest the company is in any trouble.

Bottom line

Buffett clearly sees an opportunity in the energy sector and may have seen the latest decline in the market as a great opportunity to buy Suncor. Investors looking to mimic his moves, however, should consider their own investing profile and whether it's a good stock for their portfolio. Simply following another investor's moves, especially when many people do the same, isn't likely going to generate significant returns over the long run.

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