2 Warren Buffett Stocks to Buy in March

Description

It's been an exciting month for Canadian Buffett-watchers. After taking a new position in **Suncor Energy** (TSX:SU)(NYSE:SU), Warren Buffett now has two TSX-listed stocks in **Berkshire Hathaway's** portfolio. This is the third TSX stock Buffett has bought in the past three years, the others being **Restaurant Brands** (TSX:QSR)(NYSE:QSR) and **Home Capital**–a stock he no longer owns.

Although Buffett is not perfect–having underperformed the **S&P 500 Composite Index** in the past 12 months by his own admission–his picks are still worth watching. That said, here are two Canadian stocks for Buffett fans to buy in March.

Suncor Energy

Suncor Energy has been one of the best-performing TSX energy stocks over the past five years, having gained 22% while the energy sector as a whole fell 44%. In its most recent quarter, Suncor lost $280 million. This is bad on the surface, but it was due to a loss on U.S. dollar denominated debt, which is not an operating metric. By other metrics, Suncor had a decent Q4. For example, operating income was $580 million while funds from operations were about $2 billion.

It's also worth noting that the comparatively weak Q4 followed three earlier quarters of solidly growing earnings, which saw net income grow from $780 million to $1.8 billion. It's possible that Buffett sees the Q4 loss as a temporary hiccup and believes the positive earnings trend will resume, which would make the current stock price relatively cheap.

Restaurant Brands International

Restaurant Brands is a long-term Buffett stock. Formed by the merger between Tim Hortons and Burger King, it expanded recently by buying Popeyes, and is now Canada's largest fast food company.

Restaurant Brands is not a fast earnings grower. In its most recent quarter, revenue grew by just 12%, while net income actually fell. The stock isn't exactly cheap either, trading at 34 times trailing earnings and 12 times book value. What the stock does have is profitability: with an operating margin of 35% and a 27% ROE, it excels on these metrics, which Buffett is known to prioritize. It's also a dividend stock with a 3.24% yield, having increased its dividend by a whopping 140% in the past 12 months. That's very impressive dividend growth. However, with the payout ratio fairly high at the moment, it's unlikely that more huge increases will be forthcoming.

Foolish takeaway

In 2018 and early 2019, emulating Buffett hasn't worked as well as it has in the past. With Buffett and his two top money managers having underperformed the benchmark, we can see that The Oracle isn't infallible. But with one of the best long-term investing track records in history, Buffett is still an investor worth studying and emulating. While the two stocks mentioned in this article aren't my favourite TSX picks, they both have substantial upside without too much risk. If you're looking to add some new stocks to your portfolio in March, you could do much worse than Suncor and Restaurant Brands.

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