



Warren Buffett Doesn't Invest in Canadian IPOs: Here's Why

Description

Everybody in the investing world knows that legendary investor Warren Buffett isn't fascinated by cryptocurrencies. He views the digital asset as "rat poison squared" and "non-productive." Another interesting fact Buffett shared is that he's [not a fan of IPOs](#) either.

The long-time investor hasn't bought an IPO since 1955, and he won't be investing in a Canadian IPO, or any other IPO for that matter. Buffett is a proponent of value investing, and value investors are believers of the intrinsic value of a company.

Companies going public are raising money for expansion and other purposes. However, the ability to generate free cash flow after the IPO has yet to be proven. Buffett said this ability to generate money is directly related to the company's intrinsic value.

Hence, he advises average investors avoid buying new offerings on the basis of the market hype. The idea of [getting rich from IPOs](#) is not a sound basis for investment. He added that people shouldn't be thinking about or paying attention to IPOs.

But if you're wondering if Buffett has holdings in Canadian companies, he does. His conglomerate **Berkshire Hathaway** is invested in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)).

Energy stock

One of the rarest investment moves of Warren Buffett is investing in a non-U.S.-based stock. The billionaire had invested in the Canadian energy stock Suncor in 2013 but sold his entire holdings in 2016. However, Buffett saw a different Suncor in the last quarter of 2018. Noticing the company's strong potential, Berkshire Hathaway invested again and is still in Buffett's stock portfolio today.

Suncor Energy operates oil sands developments, offshore oil production, biofuels, and renewable energy such as wind energy. The \$61.3 billion integrated energy company is also into refined fuel, which is sold in more than 1,500 Petro-Canada stations. Suncor is only one of two energy stocks out of

the total 48 stocks that Buffett has in his portfolio.

As a Canadian Dividend Aristocrat, Suncor is considered a high-quality investment. The company has raised annual dividend payouts for 17 consecutive years and the current yield is 4.3%. Interestingly, Buffett's company has never made dividend payments to shareholders.

Fast-food chain stock

Restaurant Brands is getting stellar billing on the TSX partly because Warren Buffett is an investor. Of all the fast-food chains in Canada, the value investor chose to support the parent company of Burger King, Tim Hortons, and Popeyes Louisiana Kitchen.

Berkshire Hathaway was instrumental when Burger King acquired Tim Horton's in 2014. The merger of the famous Canada brands and the acquisition of Popeyes in 2017 made Restaurant Brands the world's fifth-largest operator of fast-food restaurants. Buffett is QSR's sixth-largest investor.

Restaurant Brands wouldn't be a successful fast-food venture if not for Berkshire's financial assistance. In exchange, Buffett earned a hefty \$297 million when his company exercised the option to fully redeem the preferred shares.

QSR is up by 40% year to date, and would-be investors can earn fairly decent returns if the 2.7% annual dividend yield is factored in.

Bottom line

Warren Buffett knows where and when to invest. He has the knack for finding companies that offer the best earning opportunities for the long term. Investors can follow his advice and be guarded with risky IPOs.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/25

Date Created

2019/08/01

Author

cliew

default watermark

default watermark