



## Warren Buffett Loves These 2 Canadian Stocks! Should You?

### Description

Warren Buffett hasn't shied away from investing in Canadian businesses over the years. This piece will have a look at two TSX-traded names that caught Buffett's eye and determine if either of them is worthy of your investment dollars as we head into year-end.

### Suncor Energy

Earlier this year, Buffett took a fresh stake in his long-time favourite oil sands play, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), at a time when most other big-league investors have thrown in the towel on Alberta's oil patch.

Buffett is a contrarian at heart, so it shouldn't be a surprise to see the man go against the grain at a time where it'd seem foolish to do so.

Ever since the 2014 plunge in oil prices, Albertan energy producers have been in a world of pain. To make them even less attractive through the eyes of prospective investors, a plethora of unfavourable exogenous conditions (pipeline bottlenecks, regulatory uncertainty, production curtailments, and the like) are continuing to linger on.

Does Buffett see a catalyst that many of us are missing?

Not likely. Buffett isn't one to invest based on economic projections. He's more about buying shares of businesses at sizeable discounts to their intrinsic value and sitting on them for the long term until those on Main Street realize their true worth.

Suncor is a king among men in the oil patch with cash flow-generative integrated operations and a balance sheet that's far healthier than most of its smaller brothers in the space. The stock sports a safe 4% yield and trades at just 14.2 times next year's expected earnings and 1.46 times book.

Suncor would stand to soar in a sudden reversal of fortune in the Albertan oil patch. However, even if things continue to drag in the oil patch, Buffett will still be there to collect a big dividend that's likely to

continue to grow in spite of the considerable industry headwinds.

In an era of rock-bottom bond yields, Suncor's 4% yield is well worth the low price of admission alone. And the unforeseen upside potential should industry headwinds subside is just the cherry on top of an already well-decorated sundae for Buffett.

Even if you snag a slightly higher cost basis than Buffett, I still think Suncor stock offers a terrific risk/reward scenario for those with a long-term time horizon.

## Home Capital Group

Buffett secured a sweetheart deal with **Home Capital Group** ([TSX:HCG](#)) at a time when it was suffering from liquidity issues that caused the stock to plunge violently back in 2017. The big Buffett rescue involved a sizeable equity investment and a line of capital through a **Berkshire Hathaway** subsidiary.

Shortly after Buffett lent a helping hand, he proceeded to "cheer from the sidelines" in late 2018, ditching its shares of the Canadian alternative mortgage lender — a move that turned out to be a big mistake, as Home Capital continued to soar higher into 2019 and is now up a staggering 135% year to date.

In a [prior piece](#), I'd noted that Buffett "would probably still [have] retained his investment in Home Capital" if "more attractive opportunities" hadn't presented themselves in the late-2018 market plunge. I also maintained cautious optimism in the company, despite the firm's risky business model, citing the likelihood of another Buffett bailout should Home Capital face another fumble.

"Many investors may also feel comfortable if another liquidity crisis happens, it's likely that Buffett may come to rescue again with another lopsided deal. That has got to be comforting, especially since investors now realize they're invested in the high-risk, high-reward business of alternative lending." [I said](#).

Unfortunately for Buffett, the most attractive opportunity at the time was, in fact, Home Capital Group, and had he not had such a short-term view of the firm; he would have been that much richer today.

Today, Home Capital is one of the hottest stocks on the TSX Index, but shares remain cheap at just 11 times next year's expected earnings. I wouldn't chase the name here, though, and would prefer waiting for a pullback before backing up the truck on the name.

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### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:HCG (Home Capital Group)

3. TSX:SU (Suncor Energy Inc.)

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