

2 Canadian Warren Buffet-Type Stocks to Buy in December

# **Description**

Warren Buffett, the world's greatest investor, is always someone you want to watch. Even if you may not invest in exactly the same stocks he's investing in, you can interpret his mindset is by watching the stocks he buys and sells each quarter.

Although he clearly has one of the best track records ever and has been posting incredible growth for years now, if you study his style, you can see how it's changed and evolved over the years, as have the financial markets.

In the past, Buffett preferred decent companies at wonderful prices, while today he's more inclined to buy wonderful companies at decent prices.

It says a lot when an investor with such a strong track record as Buffett willingly changes his strategy, without having an issue that caused him to change it.

He has realised that there's been a shift in how the economy and, consequently, how the stock market views things. Buffett has shifted his own strategy to best take advantage of the new era we live in.

Two Canadian companies that are <u>Warren Buffett-</u>type stocks are **Air Canada** (<u>TSX:AC</u>)(TSX:AC.B) and **Leon's Furniture Ltd.** (TSX:LNF).

# Air Canada

In the past Buffett has stated that he didn't like airline stocks, as there used to be a tonne of competition, which impacted profitability in the industry.

Over the years, however, with consolidation in the sector and a better understanding of how to reach profitability, the airline business became more investible.

Buffett now owns all of the largest four airlines in the United States, with roughly a 10% stake in each company.

Air Canada is just as strong a company as any of its major U.S counterparts.

It's the market leader in Canada and has made numerous deals with many other large carriers to extend its reach around the world.

Its stock is up more than 260% in the last three years, as it improves its operations and profitability.

Looking at its valuation, however, Air Canada still seems to be fairly valued and positioned to continue growing as the demand for air travel heats up.

Its price to earnings ratio sits at just 12.6 times earnings, and even though it's at its 52-week high, the stock has a lot of momentum and should continue to grow into the new year.

Gaining some exposure to Air Canada today is a prudent choice, especially as airlines continue to improve the efficiency of their operations and translate the increasing growth in demand to their bottom watermark lines.

### Leon's

Leon's is a nation-wide furniture retailer in Canada. Buffett has always historically owned Nebraska Furniture Mart, as he liked the business. In November of 2019, he invested in another furniture company.

If you can find a well-run furniture company, you'll likely make profits and Leon's is a prime example of a top-tier furniture store.

In the last decade, it's been strengthening its business from all angles with one of the biggest deals being when it acquired its main rival in the Brick. It's also added ancillary business to its portfolio such as an appliance and furniture repair business and an insurance company.

Further, Leon's also has a tonne of real estate in highly populated areas that only increase in value each year; this is another strategic option for the company to consider — and a safety net in case it needs to close down underperforming stores in the future.

From an operational standpoint, the company is extremely consistent, with return on equity in each of the last five years of between 12.5% and 14%.

The continued growth in its business has led to multiple dividend increases, with the company currently paying out \$0.56 annually, a 3.5% yield today.

Leon's is an underrated stock that's been growing investors' money for a while now. With many strategic options available for the future, it's a top stock to own for the long term.

## **Bottom line**

As well as similar stocks to those in Buffett's portfolio, these stocks are also wonderful companies, which is exactly what Buffett is looking for.

Buying these stocks or similar stock and holding them for the long term will set you up for great capital appreciation.

#### **CATEGORY**

- 1. Dividend Stocks
- 2. Investing

#### **TICKERS GLOBAL**

- 1. TSX:AC (Air Canada)
- 2. TSX:LNF (Leon's Furniture Limited)

#### **PARTNER-FEEDS**

- 1. Business Insider
- 2. Msn
- 3. Newscred
- 4. Sharewise
- 5. Yahoo CA

### Category

- 1. Dividend Stocks
- 2. Investing

**Date** 

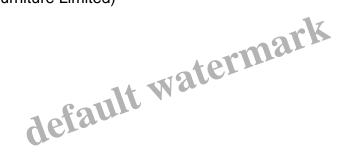
2025/08/25

**Date Created** 

2019/11/30

**Author** 

danieldacosta



default watermark