



This Warren Buffett-Inspired Stock Could Be Like Air Canada in 2016

Description

Copying Warren Buffett's investments seldom produces desired results.

Not only would Buffett have a different (and likely far lower) cost basis than you, but you'd be paying a substantial Buffett premium by following the Buffett-following herd into a stock, and you could get burned by following the herd out should the Oracle of Omaha unexpectedly dispose of his position like with his short-lived investment in **Oracle**.

So much for long-term investing!

While copying Buffett into a specific stock is a sure-fire way to risk overpaying, I do think it's a good idea to look to **Berkshire Hathaway's** 13-F filings to see whether Buffett and company are pounding the table on a particular industry.

Top-down clues courtesy of Uncle Warren

Back in 2016, when Buffett bet big on U.S.-based airlines from across the board, I suggested that Canadian investors would be well served by mirroring his airline bets with a position in **Air Canada** ([TSX:AC](#))([TSX:AC.B](#)), a name that [I thought Buffett would have loved](#).

"Warren Buffett sees deep value in the airlines," I said. "Although he's known as a long-term investor, this is not one of his long-term moves. It's a smart medium-term trade that will pay off in a year or two."

Fast forward three years and today Air Canada stock has skyrocketed 260% thanks in part to the industry "paradigm shift" that Buffett spotted many years in advance. With Air Canada, investors were able to avoid the Buffett premium and pay a dime to get a dollar, so to speak.

Now that the airlines have all but taken off, with Buffett trimming away at his positions, it's time to look to where he thinks the puck is headed next.

Does Warren Buffett see opportunity in the furniture business?

In a [prior piece](#), I noted that Canadian Buffett fans might have another opportunity to ride on Buffett's coattails with an investment in **Leon's Furniture** ([TSX:LNF](#)) after another Buffett's deeper dive into the world of furniture retail with his bet on **RH**.

As you may be aware, Buffett was already a fan of furniture retail with Berkshire's ownership of Nebraska Furniture Mart. Despite the rise of e-commerce, the business of furniture remains resilient thanks to the nature of the industry.

It just doesn't make sense to pay big bucks to transport a heavy, big-ticket item on a couch if you've yet to test it out in a store. And as millennials finally look to buy homes, furnishers could be poised to ride major secular tailwinds over the next several years.

While Leon's isn't as upscale as the likes of an RH, it's a retailer that still stands to enjoy potential furniture industry tailwinds while steering clear of e-commerce headwinds facing the retail world as a whole.

Given the weak state Canadian economy, Leon's trades at a far lower multiple than RH even before the Buffett premium was tacked on.

Leon's stock trades at just 6.5 times EV/EBITDA and 0.6 times sales after a few less-than-stellar quarters. That's absurdly cheap, just as Air Canada was three years ago.

So, if you see what Buffett sees in the furniture market, buying Leon's in late 2019/early2020 could be like buying Air Canada in 2016. And while you wait for the market to correct to the upside, you'll have a 3.4%-yielding dividend to collect.

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