Warren Buffett Could Buy More of These 2 Canadian Dividend Stocks on the Dip

Description

Warren Buffett has been sitting on a growing mountain of cash, and he's received heat by several media outlets for his recent inactivity. **Berkshire Hathaway** has undoubtedly underperformed relative to the **S&P 500**, and that's caused many critics to conclude that Buffett has lost his market-beating edge.

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Buffett skeptics are nothing new (they always come out when Berkshire inevitably trails the S&P 500 for some arbitrary length of time), so investors shouldn't treat Berkshire's record cash hoard as a warning that a recession is nigh. If you've got an extremely long-term time horizon, then it's worthwhile to add his holdings to your radar and check in with them regularly.

Suncor Energy (TSX:SU)(NYSE:SU) and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) are two Buffett-owned TSX-traded dividend stocks that Canadians should revisit anytime they hit a big bump in the road. Depending on the magnitude of the dip, you could even stand to obtain a cost basis better than Buffett himself, or maybe, just maybe, you'll be buying shares alongside the Oracle of Omaha.

There has been tremendous negative action in both stocks over the past few months, so if I were to put myself in Buffett's shoes, it might be a good idea to a put of the cash hoard to work, as the opportunity to buy more shares of "wonderful" businesses presents itself.

Without further ado, let's have a closer look at the two Canadian Buffett stocks to see which is a better bargain at this juncture.

Suncor

As Buffett's preferred play on the Albertan oil sands, Suncor is seen as a crème-de-la-crème player in an otherwise unattractive place to invest.

Through Suncor's well-managed integrated operations, the company can better weather any storms that present themselves in the Canadian oil patch. Add a healthy balance sheet and a generous capital return structure (a healthy dividend currently yielding 4.2%) into the equation, and it's not a mystery as to why Buffett may be hungry for another helping to Suncor stock.

Nobody, not even Buffett, knows where oil prices are headed over the short to intermediate term. Buying a commodity play and praying that the commodity price goes up is not an effective investment strategy. That doesn't mean one should follow in the footsteps of foreign institutional investors by shunning battered commodity producers, though.

If you're able to ensure adequate returns should an unfavourable environment extend itself and you can get in at a dirt-cheap multiple, it makes sense to place a bet in an ailing producer like Suncor.

Suncor stock has been on a roller-coaster ride over the last few years, and there's no telling whether there will be another drop ahead. What we do know is that the stock is absurdly cheap at 6.06 times EV/EBITDA and 1.7 times book, both of which are substantially lower than the five-year historical average multiples of 9.1 and 2.1, respectively. Also, the company has the capacity to continue growing its dividend in spite of mounting industry headwinds.

Restaurant Brands International

Up next, we have the fast-food behemoth behind Tim Hortons, Burger King, and Popeyes Louisiana Kitchen. Warren Buffett helped fund the deal, and should shares continue retreating, I wouldn't be at all surprised if he decided to "double double" his position on the current dip.

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The appetite for fast food has faded in recent months, opening up the perfect opportunity to lock in a slightly higher dividend yield at a lower multiple.

Sure, there's a bit of baggage (primarily at Tim Hortons) with the stock. However, I believe that issues will be resolved with time and the stock will be able to command a much higher multiple. Tim Hortons continues to be a sore spot for Restaurant Brands. With a bit of uncertainty surrounding the upper management at Tim's, it's not a mystery as to why investors have continued to ditch the stock on industry-wide weakness.

Despite the near-term issues, both company specific and exogenous, I see Restaurant Brands as an early stage fast-food empire that could profoundly benefit from economies of scale. With a bountiful 3.3% dividend yield, investors may want to consider picking up shares today.

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