Value Investors: 2 Warren Buffett Stocks Are on Sale!

Description

The broader markets are in correction mode in the last few trading sessions. Investors are worried about the impact of the coronavirus on consumer demand, accelerating the selloff. The volatility can be expected to continue in the short-term, which could drag global markets lower.

However, as we know, it's impossible to time the markets, and the recent pullback in shares can be viewed as an opportunity for value investors. Here we look at two companies that have lost market value recently and are part of Warren Buffett's **Berkshire Hathaway.**

The Oracle of Omaha has placed bets on two Canadian companies. According to the latest filings, Warren Buffett held US$468 million worth of **Restaurant Brands** (TSX:QSR)(NYSE:QSR) and US$395 million worth of **Suncor Energy** (TSX:SU)(NYSE:SU).

A restaurant giant

QSR has been a solid bet for investors over the years. However, in the last 12 months, shares have fallen 7.4% compared to the **S&P 500** gains of 13%. Restaurant Brands stock is trading at $72.15, which is 32% below its record high.

The recent decline in share prices has increased QSR's forward dividend yield to 3.63%. Its market cap to revenue ratio stands at 2.75, while the enterprise value to revenue ratio is 4.6. The stock is trading at a forward price-to-earnings multiple of 22, which is reasonable given the company's estimated growth rates.

QSR is slated to improve sales by 4.5% to $5.86 billion in 2020 and by 4.2% to $6.1 billion in 2021. Comparatively, earnings growth is estimated at an annual rate of 9% over the next five years.

Several restaurant businesses are bound to take a hit due to the virus outbreak, and QSR is no exception. The market might move lower over the next few months, but this is a temporary headwind.

QSR has a solid brand portfolio and owns several popular franchises, including Tim Hortons, Burger

King, and Popeyes. The selloff is an opportunity to buy a company with strong fundamentals at an attractive valuation.

An integrated energy giant

Suncor Energy is one of the safest energy picks in North America. The company is an integrated oil company that allows it to take advantage of high crude prices by drilling more oil. In a downturn, Suncor can bank on its petrochemical operations and downstream refining to offset any decline from falling oil prices.

Suncor stock is trading 25% below its 52-week high, which means that its forward price-to-earnings ratio is attractive at 11. Given the stock's five-year estimated earnings growth of 5.6% and a tasty dividend yield of 5%, it's one of the top value buys for Canadian investors.

Suncor recently increased its quarterly dividend from $0.42 to $0.465, its 18th consecutive year of dividend raise. In the last five years, Suncor's dividend has grown by 66% or 10.7% per year.

Suncor's payout ratio stands at 65%, giving it enough room to increase payments going forward as well.

The verdict

QSR and Suncor have been part of Warren Buffett's portfolio for a reason. The two companies have robust cash flows, solid dividend yields and an enviable market presence in their respective industries.

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.)

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