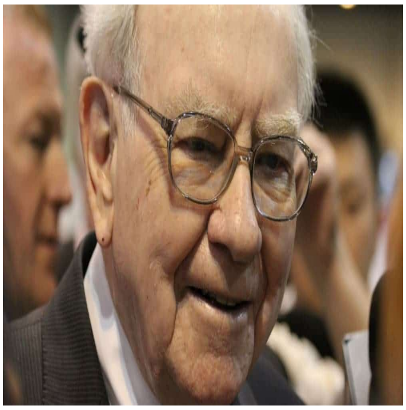

Warren Buffett Isn’t Scared About the Market Crash for 1 Simple Reason

Description

If the containment of the coronavirus doesn’t come soon, a global depression is likely. The World Health Organization is on the verge of declaring COVID-19 a pandemic. Meanwhile, the U.S. Federal Reserve made its first emergency rate cut on March 3, 2020. Other central banks around the world are also preparing rescue measures.

The virus is placing immense pressure on stocks and sparking fears among investors. Warren Buffett, however, is advising people not to buy or sell on the headlines. Despite the “scary stuff,” the billionaire chairman of **Berkshire Hathaway** is standing pat on his long-term view.

Buffett isn’t scared of a market crash. He believes that his equity holdings will be doing fabulously better 20 or 30 years from now. The billionaire invests only in American businesses. Two Canadian companies, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) and **Suncor** (TSX:SU)(NYSE:SU), are the only exceptions.

Berkshire owns US$482 million and US$396 million worth of RBI and Suncor shares, respectively, as of December 31, 2019.

Smart money restaurant pick

RBI is Buffett’s smart money restaurant pick. This $22.78 billion quick-service restaurant chain owns three of the world’s most-loved restaurant brands. The trio of *Burger King, Tim Hortons*, and *Popeye’s* deliver a total of $32 billion system-wide sales. There are 27,000 restaurants in more than 100 countries and U.S. territories.

For the full-year 2019, RBI’s system-wide sales increased by 8% to $34 billion, with the fourth quarter of 2019 accounting for $9 billion. *Popeye’s* sales (18%) grew the most, followed by *Burger King* (9%). *Tim Hortons’* sales dropped slightly.

Performance-wise, the stock is down 7.76% year to date. Buffett sees buying opportunities whenprices are falling. He said that if you're buying a business like RBI, you should hold it for the long term.

RBI should continue growing in the coming years, although the coronavirus is temporarily blocking its path to profitability. Likewise, the 3.43% dividend should be safe if the company achieves the growth target of 9% annually in the next five years.

Significant upside

Suncor is currently in a rough patch, and has lost 16.18% as of this writing. The TSX is plunging into correction territory, but it hasn't altered Buffett's long-term outlook.

In the last two years, this $53.77 billion energy company was able to generate over $10 billion annual funds from operations. Because of its integrated business model, Suncor showed resiliency in 2018 during the heightened market volatility. In 2019, the company focused on value over volume due to a production-curtailed environment.

I doubt if Buffett will commit the same mistake when he sold his holdings in 2016. The legendary investor made up for the error by repurchasing Suncor shares in 2018. He knows the company has significant upside value moving forward.

Another compelling reason to buy and hold Suncor is its dividend aristocrat status. The company shelled out nearly $14 billion in dividends over the last three years. Buffett, along with other Suncor investors, is currently enjoying a 4.81% dividend yield.

Enduring businesses

The admirable thing about Warren Buffett is that he treats stocks as businesses. Your perspective changes when you adopt his view. Suncor and RBI, together with his American stock picks, are enduring companies that can make investors fabulously wealthy.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. NYSE:SU (Suncor Energy Inc.)
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