Warren Buffett's TSX Gems: Which of His 2 Stocks Is Worth Keeping?

Description

The COVID-19 pandemic is punishing stock markets around the world. Even billionaire investor Warren Buffett is watching the value of his investments drop every day. As of the latest estimate, his conglomerate **Berkshire Hathaway** has lost around US$64 billion. It's the largest quarterly loss ever by a U.S. firm.

On the Toronto Stock Exchange (TSX), Buffett's only pair of holdings is not exempt from the severe beating. **Suncor** (TSX:SU)(NYSE:SU) and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) are spiraling as well. But if push comes to shove, which among the two gems would Buffett likely keep?

Ridiculously cheap oil prices

In Canada, the scenario in the oil and gas industry is grim. It's more costly to ship oil than the value of the commodity itself. It doesn't make economic sense anymore to ship crude by rail.

Also, floating storage is increasing. Soon, Western Canada's storage infrastructure will hit the maximum capacity of about 40 million barrels. By the end of March, it could be at full capacity.

Among the oil producers in the country bearing the brunt of the oil price war is Suncor. All projects of this oil sands giant are on hold. The company has cut its 2020 capital budget by $1.5 billion, or 26%, to combat lower oil prices.

According to Suncor CEO Mark Little, the moves to adjust spending and operational plans are necessary in case the current business environment persists for a longer period. He added that the shock waves in both supply and demand will have a significant impact on the global industry.

Suncor shares are losing by 43.06% year to date. The current price is $23.95, while the dividend yield is 7.67%.

Preparing for crisis exit

Restaurant Brands would continue its rapid evolution in 2020 if not for the coronavirus outbreak. Burger King, Tim Hortons, and Popeyes are iconic brand names in the quick-service restaurant industry. Berkshire Hathaway's subsidiary, National Indemnity, is the second-largest shareholder (11.6%) of RBI.

Buffett's food-chain stock is also facing numerous challenges in the wake of the pandemic. RBI's CEO Jose Cil, however, is assuring investors the company is well positioned to weather the storm. The company is maintaining a strong balance sheet and managing liquidity to exit the crisis ready as ever to pursue growth.

RBI is following the social-distancing directive. The business continues as drive-thru, delivery, and mobile order with pay/pick-up are low-touch. Safe operational operations for curbside takeout or front door takeout are under consideration in all restaurant brands.

The company and restaurant owners are working together to make sure there is access to sources of liquidity. Business operations need to be sustainable for the duration of the crisis. In the stock market, RBI's year-to-date loss is nearly 45%. The dividend, however, has become more attractive with the 5.42% yield.

Likely option

Warren Buffett's conglomerate can absorb billions of dollars in losses. Berkshire Hathaway might even be looking for hard-hit industries or companies to save. As far as Suncor and Restaurant Brands are concerned, Buffett is likely to keep both TSX gems.

The legendary investor will not allow outside forces like COVID-19 to affect his emotions. Come hell or high water, Buffett will stick to his long-term value strategy.

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