



Which TSX Stocks Is Warren Buffett Buying?

Description

Berkshire Hathaway Inc. (NYSE:BRK.A)(NYSE:BRK.B), Warren Buffett's holding company, has produced spectacular results for shareholders. For decades, annual returns have averaged roughly 20%. Buffett is constantly making deals, but it's during a market crash that he puts *billions* to work.

Consider the 2008 crisis. At the deepest parts of the bear market, Berkshire bought debt and equity in world-renowned names like Tiffany & Co and **General Electric**. Buffett nearly waited until the last moment to secure these deals, resulting in [fantastic terms](#) for his company.

The latest market crash has been caused by two forces: the coronavirus pandemic and the oil pricing war. Without a doubt, there are dozens of stocks trading at *ridiculous* valuations today. The only question is, which companies will Buffett buy?

Look to the airlines

On March 11, Buffett upped his stake in **Delta Air Lines, Inc.** ([NYSE:DAL](#)). This bet came early in the coronavirus epidemic, and Buffett seemed to believe that the crisis would be solved quickly, with business travel supporting basic revenue needs.

After the Delta stake increase, Buffett was *loaded* with airline stock. Last month, Berkshire was the leading shareholder of Delta, and the second-largest shareholder of **United Airlines**, **American Airlines**, and **Southwest Airlines**.

Days later, the airline industry sought a multi-billion dollar bailout from the government. Delta, for example, was burning more than \$50 million per day. According to *Bloomberg*, airlines borrowed more than \$17 billion in March alone to cover the cash shortfall.

On April 3, Buffett finally threw in the towel. That day, Berkshire disclosed the sale of 13 million Delta shares and roughly two million Southwest shares.

Some of his biggest stakes fell below the 10% of outstanding shares level, meaning Berkshire no

longer needed to announce further stock sales. Investors took this as a negative sign, predicting that Buffett would eventually unload his entire stake.

But here's the thing: Buffett *loves* airlines. As mentioned, Berkshire was a major shareholder of several airlines before the coronavirus pandemic. When conditions normalize, remaining competitors could size new market share opportunities that their indebted peers left behind.

It's highly likely that Berkshire will purchase more airline stock when the price is right. Which airlines will he be buying? If you connect the dots, Buffett could take a stake in a company co-owned by Jeff Bezos and **Amazon.com** ([NASDAQ:AMZN](#)).

Buffett stocks to buy

Last August, Amazon purchased options that would allow it to take a 9.9% stake in **Cargojet Inc** ([TSX:CJT](#)), which operates the biggest overnight flight network in Canada, shipping more than 1,300,000 pounds of cargo every day.

The purpose of the stake was clear. "If you've been paying attention, you likely know that speed is the name of the game right now," I wrote the month Amazon took its stake.

I was highlighting how important two-day shipping was to Amazon Prime's value proposition. As the largest overnight carrier in Canada, Cargojet was well positioned for success.

"Most analysts believe Amazon will eventually push for one-day shipping on all Prime orders, after which it will focus on same-day shipping, so the value placed on speed won't dwindle for years to come," I concluded. It seems like Bezos and Amazon agreed.

Cargojet has all of the factors that Buffett loves in an airline. It's consistently profitable, has an entrenched competitive moat, and is benefiting from secular tailwinds.

Last year, Buffett raised his Amazon stake to nearly \$1 billion, so it wouldn't be surprising to see him and Bezos agree on Cargojet's promise.

The recent market crash took a bite out of Cargojet's valuation, but its long-term prospects are still intact. We may see Buffett pull the trigger in 2020.

CATEGORY

1. Coronavirus
2. Investing

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1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:BRK.B (Berkshire Hathaway Inc.)
3. NYSE:BRKA (Berkshire Hathaway Inc.)
4. NYSE:DAL (Delta Air Lines, Inc.)
5. TSX:CJT (Cargojet Inc.)

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