



## Could Warren Buffett Be Buying More Suncor Energy (TSX:SU) Stock?

### Description

Warren Buffett has gone completely silent of late. With only selling activity disclosed in April thus far, many investors are wondering what Buffett has been buying in what's shaping up to be one of the quickest market rebounds since the U.S. Fed-induced pullback of 2018.

Given everything we know about Warren Buffett's investment philosophy, I think it's safe to say that the man is [probably a net buyer of stocks](#), possibly adding significantly to his stake in some of his hardest-hit holdings.

You see, the Oracle relishes the opportunity to add to a stake in a company he already owns. Unlike most investors, who cheer for a stock to go up after they've purchased shares, Warren Buffett is one to cheer for the opposite, so he can build his stake further on the cheap.

Many of the ["wonderful" businesses](#) in **Berkshire Hathaway's** portfolio have become absurdly cheap, since the broader markets fell off a cliff in late February. As such, I can't imagine a scenario where Warren Buffett hasn't been licking his chops at the thought of buying more shares of his favourite companies at a fraction of the price.

### Warren Buffett's book takes a hit

Given Berkshire's heavy exposure to the airline, energy, and bank industries — all of which have taken a brunt of the damage amid the coronavirus crisis — I wouldn't at all be surprised if Buffett doubled down on some of his biggest losers across the board, including oil sands kingpin **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), which imploded on WTI's unprecedented collapse to the teens.

If Warren Buffett liked the stock when it was trading in the \$40 levels, he must love it now that it's at a discount of more than 50% off, with Suncor Energy stock coincidentally mirroring the price of West Texas Intermediate (WTI) at around \$20.

The Western Canadian Select (WCS) recently fell below \$5 — a nightmare scenario for the Albertan oil patch, which had already been feeling the pressure of the oil price rout in 2014. Many Canadian

energy producers have seen salt rubbed in their wounds in 2020; the crash is punishing those who expected oil to post a recovery after years of hovering in limbo.

Warren Buffett probably wasn't betting on such a sharp oil rebound, though. Commodity prices are an impossible beast to predict with any degree of certainty due to the large number of variables involved. I've yet to find anyone who foresaw the coronavirus pandemic-induced demand shock and the crumbling of OPEC+.

## Warren Buffett loves wonderful businesses at wonderful prices

What Buffett saw in Suncor Energy was a well-run business with a dirt-cheap valuation and a well-covered dividend that would compensate the Oracle for his patience over time.

If you're looking to bet on the oil patch, praying for higher oil price isn't going to cut it. You've got to ensure you're getting a handsome (and growing) dividend that won't be pried from your hands should worse come to worst.

In the Albertan oil patch, a worst-case scenario has come to be.

Despite this, Suncor Energy still has a well-covered dividend thanks to its robust integrated operations. If oil prices stay at these depths for a longer duration of time, Suncor, arguably the best player in the Albertan oil patch, will see its growth and stock price retreat.

But as the stock goes down, the yield goes up, and the risk/reward trade-off improves further for those looking to get paid to wait for troubles to subside.

## Foolish takeaway

Although there's no way of knowing for sure right now, I'd be willing to bet that Warren Buffett is more inclined to add to his Suncor Energy stake at these depths, rather than selling. Suncor is still a king among men in the oil patch, yet its stock now trades at 0.76 times book, which is just absurd given the 9.3%-yielding dividend is safe.

Stay hungry. Stay Foolish.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

**Date**

2025/08/23

**Date Created**

2020/04/17

**Author**

joefrenette

default watermark

default watermark