



Warren Buffett Just Admitted a Rare Mistake He Made

Description

Warren Buffett is known as one of the world's most successful investors. People believe he has the "Midas touch," or the ability to make money out of anything he undertakes. Even if that is so, the legendary value investor [lost his touch](#) in 2020.

Berkshire Hathaway, Buffett's vast conglomerate, was stung by the novel coronavirus. The bite is so severe that the company lost nearly \$50 billion in the first quarter of this year. His most [decisive setback](#) is in the airline industry.

Buffett admits to a rare mistake

Seldom will you read the news that Mr. Buffett lost big in the stock market. His investment strategy and investment philosophy are the hallmarks of his decades-long success. Both, however, were no match to the COVID-19 pandemic.

You won't find airline stocks anymore in Berkshire's investment portfolio. The company ditched all of its holdings in the airline industry. Buffett had to sell shares in **American Airlines**, **Delta Air Lines**, and **Southwest Airlines** at significant losses. He also reported divesting from **United Airlines**.

Buffett was never a fan of the airline business. He kept avoiding the aviation industry up until 2016 when the large American airline companies were raking in profits. Value investors love to see good levels of cash flow and modest growth.

Perhaps greed got the better of him. Buffett admits today that investing in airline stocks was a fatal mistake. Buffett's decision, however, is a telling blow to airline stocks. The sector is now a danger zone.

Outside the danger zone

Air Canada is in a similar predicament as the U.S. airline stocks. Canada's flag carrier is grounded and operating at only 10% of its capacity. The company also expects a recovery or return to normal

operations to take about three years.

Cargojet ([TSX:CJT](#)), however, is out of the danger zone. The air cargo services of this \$2 billion company are vital during the pandemic. The passenger transport business is idle, but the demand for cargo transport is rapidly increasing.

According to the International Air Transport Association (IATA), there's a sharp capacity shortage in air cargo. IATA is warning of severe implications if vital supplies don't reach their destinations on time.

In Canada, Cargojet is working double-time to meet the surging domestic demand in essential services. The company is adding more daytime flights and redeploying aircraft. Planes serving international scheduled and chartered routes to North America before are now helping to address the critical supply chain needs.

If you want to have exposure to the airline sector, Cargojet is a profitable option. The stock is outperforming the general market. As of May 14, 2020, its year-to-date gain is a commanding 27.2%.

Cargojet reported impressive Q1 2020 results versus the same period in 2019. There was an 11.4% revenue growth, 24.5% adjusted EBITDA growth, and 52% gross margin growth. Moreover, the over \$29 million in adjusted free cash flow will enable the company to meet its day-to-day future growth needs.

Costly change of heart

Warren Buffett was brave enough to own up to his mistake. Unfortunately, his change of heart will sink passenger airlines stocks deeper.

CATEGORY

1. Coronavirus
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Investing

Tags

1. Editor's Choice

Date

2025/08/24

Date Created

2020/05/19

Author

cliew

default watermark

default watermark