



Warren Buffett Likes This 1 Hammered-Down TSX Stock

Description

Even though the lockdowns are easing up, and travel restrictions are slowly being lifted, the demand for oil hasn't surged back to its pre-crash levels yet. Consequently, the sector continues to perform poorly. The five most significant players in the sector are still trading way below their pre-crash valuations, but none of them are as battered as **Suncor** ([TSX:SU](#))([NYSE:SU](#)).

The Calgary-based oil giant is currently trading at \$23.8 per share, down 44% from its start-of-year valuation. This beloved Dividend Aristocrat has also announced a massive dividend cut (about 50%), which has disheartened many of the investors. But in the broader sense of things, the company has actually made dividends more sustainable, considering its current losses.

Suncor and Warren Buffett

Suncor is also well known as one of Warren Buffett's major holdings in Canadian stocks and his exposure to the Canadian oil industry. But the relationship hasn't been very consistent in the past. He bought into the company for the first time in 2013, and let go of his position in 2016. He then bought about 10.8 million shares on Suncor again in 2019 and is still holding on to his position.

While Buffett has other energy holdings as well, his interest in Suncor has confused many of the speculators. Compared to the easy shale oil in his home country, why would Buffett want to tie his capital to the heavy oil sands? It's likely because of Suncor's massive presence, making it one of the safest players in the region. Another reason is its unique downstream operation advantage.

Suncor stock

Despite Suncor's prowess as a fully integrated energy company and access to waste oil sands reserves, it is suffering from all-around low demand. And it's suffering more than many other players in the sector. The company reported a \$3.5 billion loss in the first quarter this year, significantly higher than the loss of in the last quarter. Funds from operations and capital expenditure also got slashed to two-fifth of what it was in 2019's fourth quarter.

But many investors are hopeful that the oil giant will retake its rightful place when the demand normalizes again. While the global demand for energy is picking up, its [pace is not](#) nearly enough. The slower the recovery, the more Suncor and other companies in the sector will suffer.

Foolish takeaway

It might be premature to speculate on whether Warren Buffett will keep holding on to this battered stock. He certainly seems to like Suncor, which explains his return to the company. And Buffett has a reputation of standing by good companies and [good investments](#), as long as they stay good businesses.

But the Wizard of Omaha also doesn't mind cutting investments lose if they weigh his portfolio down. Suncor is already dealing with a lot, and if Buffett desserts his position in Suncor, it will deal a heavy blow to investor morale.

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