



## Warren Buffett: Should You Follow Him Into This Out-of-Favour Industry?

### Description

Warren Buffett [finally did some meaningful buying](#) amid the pandemic, with the elephant-sized acquisition of nearly US\$10 billion worth of **Dominion Energy's** natural gas assets.

Buffett's remarkable move suggests that there's likely deep value to be had in the natural gas space in spite of the vast macro uncertainties, the secular rise of sustainable energy, and pandemic-induced weakness in natural gas prices.

Like it or not, natural gas is here to stay. It's hardly a sexy investment in an era where sustainable energy is constantly the [hot topic](#), though. But that's precisely why you, like Warren Buffett, should seek to place a bet on the heavily out-of-favour industry, while gas prices are oversold alongside stocks of well-run midstream players that are still gushing with cash.

### Following in the footsteps of Warren Buffett

Here in Canada, there is a wide range of top-notch dividend heavyweights in the pipeline space. While under a bit of pressure, they are still worthy investments that'll adequately compensate investors (with sizeable dividends) for their patience as they wait for industry headwinds to fade.

So, if you're like Warren Buffett and seek long-term value amid this pandemic-plagued market, now is as good a time as any to place a bet on the pipelines that'll allow you to pay less and get more. The price of admission into high-quality, highly regulated natural energy transmission and storage plays like **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) looks unsustainably depressed at this juncture.

### Be like Warren Buffett: Opt for quality over quantity

TC Energy, whose stock currently sports a 5.7% dividend yield, is a pipeline play that's arguably one of the more robust dividend payers (and growers) on the **TSX Index**.

The company provides investors with geographically diversified midstream exposure across the

Canadian, American, and Mexican markets, the latter of which is poised to experience above-average growth in the demand for natural gas over the next several years.

With ample cash flow coming in thanks to new projects (such as the Sur De Texas pipeline, which went online in Q3 2019), the firm is well positioned to not only maintain its dividend amid the crisis, but to continue growing it at an above-average rate while continuing to invest in meaningful growth projects in some of the more opportunistic, high-ROIC areas of the market. Recent rate cuts also bode well for TC Energy's longer-term growth profile, as the firm looks to continue expanding upon its ROIC numbers (currently at 8.13%, the highest it's been in years).

As natural gas demand looks to recover through this time of seasonal weakness (possibly in early 2021), I'd look for shares of TRP to correct to the upside, as Warren Buffett followers and value investors seek to flock back into quality dividend-growth stocks that have been unjustly punished amid the crisis.

## Foolish takeaway

The stock trades at a mere 1.9 times book at the time of writing and is a must-buy for Warren Buffett followers who seek deep value in one of the best players in the midstream scene. TC Energy has some exceptional stewards running the show, and once the tides start turning in its favour, I'd look for the company to renew its generous dividend-growth policy, as the stock looks to revisit all-time highs.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
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### TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

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