



## Warren Buffett's \$10 Billion Bet: 2 Stocks That Could Be Next

### Description

Warren Buffett finally opened the purse strings. After years of accumulating cash and months of selling stocks during the pandemic, Buffett finally deployed some fresh cash into a sector that's been on his radar for years: natural gas. He purchased **Dominion Energy's** ([NYSE:D](#)) natural gas transmission and storage assets for US\$9.7 billion on Sunday.

This is the largest deal the Oracle of Omaha has struck in years. True to form, Buffett hasn't stepped out of his comfort zone. He's been steadily investing in the energy sector for nearly a decade. However, the fact that he's been selling oil stocks and buying natural gas ones indicates a brighter future for the latter sector.

With that in mind, here are two Canadian stocks that could be on Buffett's radar and should certainly be on yours.

### Two potential Warren Buffett stocks

**AltaGas** ([TSX:ALA](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) could both be ideal opportunities for Warren Buffett.

AltaGas controls energy infrastructure that delivers natural gas products to residential and commercial buyers across North America. The company's operations are divided into two segments: midstream and utilities. The utility segment serves 1.7 million customers in the United States. Meanwhile, the midstream segment provides operational services for natural gas producers in Western Canada.

Unsurprisingly, this is a stable and lucrative business. The company generated \$663 million in operational cash flow over the past 12 months. It paid just a third of that amount in dividends. This low payout ratio means the company's management has plenty of room to reinvest in the business or expand dividends over time.

Similarly, Enbridge derives [40% of its earnings from natural gas](#). The company is considered the largest natural gas infrastructure provider in North America. Like AltaGas, Enbridge has stable cash flows and corporate clients that guarantee payments over extended contracts.

Despite this robust business model, the stock has dropped precipitously in 2020. ENB stock has lost nearly 30% since mid-February. Now, the stock promises a 7.58% dividend yield and trades at just 41 times trailing earnings.

Stable cash flows and reasonable valuations could be the top reasons why Warren Buffett may consider adding AltaGas or Enbridge to his portfolio. However, these stocks could be excellent opportunities for retail investors like you and me, even if Buffett doesn't invest in them.

## Bottom line

Warren Buffett has been waiting on the sidelines throughout this crisis. The notoriously conservative investor seemed pessimistic about stocks when the pandemic erupted. However, the stock market's upward surge seems to have caught everyone by surprise.

Buffett's decision to invest in natural gas assets indicates value in this sector. Investors seem to have overlooked stable cash flows and boring infrastructure companies in pursuit of hot tech and growth stocks over the past few months. That creates an opportunity for savvy long-term investors like Buffett.

I believe Canadian natural gas stocks, such as Enbridge and AltaGas, could be on his radar. However, even if they are not, most investors should consider adding these to their watch list. Keep an eye on these distressed value stocks as the rest of the year unfolds.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

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2. TSX:ALA (AltaGas Ltd.)
3. TSX:ENB (Enbridge Inc.)

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