



Revealed: A Ridiculously Cheap Warren Buffett Stock That Could Skyrocket in 2020

Description

You don't need to [risk your shirt](#) on a speculative gamble to punch your ticket to a shot at outsized gains over the medium-term. What you *do* need is the patience to wait for your investment thesis to come to fruition and the conviction to drown out the noise that'll stand between you and a correction to the upside.

There's no way around it. If you want to [improve your odds of crushing the markets](#). You need to put your contrarian hat on and buy some of the stocks that nobody in their right mind would want to own. Amid the COVID-19 crisis, certain hard-hit industries have been shunned by investors who'd rather chase momentum stocks and play the game of greater fools (and no, the game of greater fools has nothing to do with us here at The Motley Fool!).

Deep value to be had in the Canadian oil patch

Consider shares of companies in the ailing energy patch, like Warren Buffett's preferred way to play the Albertan oil sands **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Suncor has under a considerable amount of pressure this year, with shares getting pummelled back in February and March. Today, Suncor stock is down over 45% from its 52-week highs.

The epic collapse in shares of Suncor, I believe, is overblown beyond proportion. While the company did take its dividend to the chopping block (SU stock now yields a mere 3.4%), following in the footsteps of another Big Energy kingpin, the move was a prudent preparation for a potential bear-case scenario for the oil patch.

The pandemic dragged oil prices down (it fell briefly into the negatives for a while). While oil could be looking at a new normal, I'm in the belief that we oil prices will return to those pre-pandemic levels as it looks to normalize in conjunction with the broader economy.

A quality player with a strong balance sheet

Demand for fossil fuels has waned in recent months, and while many producers have turned off the spigot amid the crisis, there are reasons to believe that demand could bounce back just as quickly as the economy does. Even if West Texas Intermediate (WTI) prices were to remain stuck in the low-US\$40 levels, where it sits today, Suncor is in a spot to do far better than many of its peers.

And if oil collapses to the teens again? Suncor will be kept afloat by its Fort-Knox-like balance sheet, as many of its junior peers fall under further financial distress.

Foolish takeaway

Sure, Suncor slashed its dividend and lost some fans. But the company is no slouch. It's one of the best players in the oil patch and will live to see better days once this crisis concludes. Suncor is Warren Buffett's preferred play on the Canadian oil sands for a reason.

It's a high-quality player with a stellar financial position. Today, the valuation has been depressed further, allowing investors as a shot to get a better cost basis than Warren Buffett. I believe the worst of oil's woes are now in the rear-view mirror and that Suncor, which looks to have a wide margin of safety, could be in a spot to come roaring back in a broader growth-to-value rotation.

Today, shares of Suncor are trading at 0.91 times book, which is far too low given the calibre of assets and the upside to be had in a broader sector recovery. As one of the cheaper Warren Buffett stocks on the **TSX**, I'd urge value investors to consider scooping up the stock today while it's still discounted to book.

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