



Could Warren Buffett Buy More of These 2 Battered Canadian Stocks?

Description

Warren Buffett didn't back up the truck when the stock market fell off a cliff back in February and March. He seemed overly cautious amid one of the best buying opportunities in recent memory, but he's still not walking away from this crisis empty-handed.

The Oracle recently scooped up nearly US\$10 billion in natural gas assets and upped his stake in **Bank of America** by US\$1 billion — two sizable bets on two of the most out-of-favour areas of the market right now: pipelines and banks. Both bets are classic Warren Buffett moves that [go against the grain](#).

As Buffett looks to open up his wallet further going into the year end, it's fun to speculate over what he might buy next. This piece will have a look at two TSX-traded Warren Buffett stocks: **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)), both of which have taken a beating amid the COVID-19 crisis.

Without further ado, let's have a closer look at each play to see which, if any, is a better buy today amid the COVID-19 crisis.

Suncor Energy: Warren Buffett's play on Canadian oil

Suncor is one of the best ways to play the Canadian oil sands. Despite having one of the better balance sheets in the Albertan oil patch, the company decided to reduce its dividend by 55%. Today, the dividend yields a bountiful 4% and is far more secure, given the company's Fort Knox-like balance sheet. But with the seemingly insurmountable headwinds in the oil patch, Suncor stock still looks like one of the better players on a team that stinks.

The heavy crude discount could widen further with a lack of meaningful pipeline progress to get excited about. With the coronavirus lingering in the background, global oil prices will also remain under pressure, as global demand may remain weaker for longer. Despite the negative intermediate-term horizon, I still think it makes sense for Warren Buffett to up his stake in the battered stock while it's out of favour.

The robust integrated operations, the applaud-worthy balance sheet, and the severely depressed valuation are something to write home about. Moreover, the 4% yield is a huge incentive for contrarians to hang on through this unprecedented hailstorm in the energy sector.

Suncor stock trades at a nearly 10% discount to book value. Given the calibre of assets you're getting, I'd say shares are nothing short of a steal. Even if Warren Buffett doesn't up his stake, you probably should if you seek [deep value](#) and a well-covered dividend.

Restaurant Brands International: A fast-food firm with a fat dividend

Restaurants have been under an unfathomable amount of pressure amid the pandemic. Many people would rather work, shop, play, and do just about everything else from home amid the pandemic to reduce the risk of contracting COVID-19. Social-distancing practices will leave dining rooms empty, and it's likely that **Restaurant Brands International's** chains (Tim Hortons, Burger King, Popeyes) will continue to lose sales until a COVID-19 vaccine lands.

If you've got a time horizon that's shorter than a year, then yes, Restaurant Brands may be a sour investment given the high chances that this pandemic could drag on into next year. But if you're a long-term investor with decades to wait for Restaurant Brands to recovery, shares of QSR are nothing short of a steal.

The company has more than enough liquidity to survive this crisis, and once it does, the company will be back to putting its foot on the growth pedal. Coming out of this pandemic, Restaurant Brands will be in a less-competitive environment (many of its peers are at risk of insolvency), with mobile and delivery momentum, and legendary traffic-driving menu items (Popeyes's chicken sandwich). In the meantime, there's a 3.72%-yielding dividend to collect while you wait. Warren Buffett may or may not add to his position, but you should if you're willing to hold for the next 10 years.

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1. Coronavirus
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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:QSR (Restaurant Brands International Inc.)
4. TSX:SU (Suncor Energy Inc.)

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