Warren Buffett’s 2 Favourite Canadian Stocks Will Surprise You

Description

When Warren Buffett makes a move, the world watches. Investors try to learn why exactly he bought what he bought. Many of his sales and purchases give valuable insights, not just about particular companies but also about the whole sector. His move with airlines is a recent example.

As Buffett is a strong advocate of holding securities for a long time, it’s a good idea for investors to consider some of the older pieces of his portfolio as well. Why did he buy them, and why is he holding on to them? These questions may have important repercussions, because Buffett doesn’t stick with losers. And even though he too makes mistakes in picking up stocks, he has been right way more times than he has been wrong.

If you are revisiting his old investments, considering the current situation of his two favourite Canadian stocks, **Suncor** (TSX:SU)(NYSE:SU) and **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), might be a good idea.

The energy stock

With a market cap of $38.8 billion, Suncor is the third-largest energy stock currently trading on the TSX. The company pioneered developing oil sands in the country, and it’s still a leader when it comes to oil sands. It’s a fully integrated energy company and has total assets of over $80 billion. Its total liabilities are nearly half that, balancing the balance sheet nicely.

Suncor was one of the most beloved Dividend Aristocrats, but the oil crisis instigated by the pandemic was too much for the company to handle, and it had to slash its dividends. Currently, the yield the company is offering is about 3.89% at a payout ratio of 90%. This indicates that sustaining its previous payout (double of what it is now), would have been almost impossible.

Still, Buffett hasn’t backed out on this energy powerhouse yet, and when the dust settles, Suncor is likely to be in a stable position. Its oil sands dominance and a strong balance sheet are likely to help its valuation grow when energy demand normalizes again.

The consumer discretionary stock

Restaurants Brands International came into being from a merger partially funded by Buffett's **Berkshire Hathaway**, which still owns about 2.8% of the company and is the ninth-largest investor in the company. RBI is the fifth-largest fast-food chain operator in the world. It's also an Aristocrat, with a modest yield of 3.84%, and a five-year-long dividend-growth streak.

RBI has over 27,000 restaurants in about 100 countries. Its two most well-known brands (and two companies that originally merged to form RBI) are Tim Hortons from Canada and Burger King from across the border. Later, RBI absorbed Popeyes as well.

The company showed decent recovery after the March crash, and it's currently about 17.6% down from its pre-pandemic high, making it a massive 80% recovery. Though its balance sheet is not as strong as Suncor's, it's on the right side of metrics.

Foolish takeaway

Suncor, along with the rest of the sector, is suffering from low demand and uncertain oil futures. RBI, however, is recovering fine, and it's likely to add both dividends and a bit of capital growth in whatever portfolio it's in.

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