



Warren Buffett Owns These 2 Stocks: Should You?

Description

Warren Buffett is one of the most successful investors of all time. His long-term and value-oriented approach has delivered astronomical returns over time. Investors in his company, **Berkshire Hathaway**, have witnessed the stock price of A-class shares increase by a factor of over 1,000 during his tenure.

The Oracle of Omaha, as he is affectionately known, has dabbled in **TSX** stocks during his career. Currently, he (or more accurately, Berkshire Hathaway) only owns two. However, this does not necessarily mean that these two stocks are good investments at this point in time. Let's take a deeper dive into Berkshire Hathaway's two Canadian holdings.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is one of the largest operators in Canada's oil sands. The company is an integrated energy company as well, meaning that it has refining and retail assets in addition to production assets inside and outside of Canada. This makes Suncor far less dependent on the price of oil than pure-play upstream oil companies.

Suncor has struggled since 2019, when the current oil bear market effectively began. Investors may forget, but there were already a number of problems facing the energy industry before the pandemic. Oversupply plagued the energy sector in 2019 and West Texas Intermediate (WTI) prices remained between \$50 and \$60 per barrel for most of that year.

On the back of these issues, the pandemic has wreaked havoc on the global energy industry, and the Canadian market was not spared.

Suncor recently [cut the dividend](#) 55% as a result of collapsing oil prices. The company still pays an annual dividend that yields almost 4%. However, it is unclear if the company will be forced to cut the dividend again if oil prices fall toward the \$30 per-barrel range and remain there in 2021 and beyond.

Many, including myself, were hopeful that the sharp rise of oil from approximately -\$40 per barrel in April to \$40 per barrel in August would have resulted in a sharp bounce in the share prices of energy

companies. That has not happened.

While Suncor is a well-run company, the sector as a whole may take years before it is in favour with investors again. However, at current prices, Suncor appears quite cheap.

Restaurant Brands International

Restaurant Brands International ([TSX:QSR](#))([NYSE:QSR](#)) (“RBI”) is the Canadian-headquartered parent company of Burger King, Tim Hortons, and Popeyes. Buffett’s journey with RBI began in 2014 when Berkshire Hathaway teamed up with [3G Capital](#) to merge Burger King and Tim Hortons to form what is now RBI. Popeyes was added to the roster in 2017, after being acquired by RBI.

Popeyes has been the shining star of RBI’s portfolio lately. The chain’s new chicken sandwich has taken the world by storm. RBI has seen explosive same-store sales growth from Popeyes, which has been primarily attributed to the success of the new chicken sandwich. The chicken sandwich has yet to enter all markets, and thus there is still significant potential for this all-star product.

However, there are several challenges that RBI still faces because of changing consumer trends related to the pandemic. For example, with many people still working from home, breakfast-focussed fast-food chains have suffered. This trend has hurt Tim Hortons and will continue to be a headwind going forward.

RBI is still trading below pre-pandemic levels. Additionally, the dividend yield on the stock is almost 4%. This could make it a good buy for long-term value investors or dividend investors at these levels.

A continued re-opening of the economy and return to physical offices in the second half of 2020 could also provide a boost. However, it will likely take some time before RBI is able to put current challenges behind it.

Takeaway

Both stocks currently present attractive entry points for long-term and value-oriented investors. Perhaps unsurprisingly, this is essentially Buffett’s investing style. However, Buffett’s investing style may not be suitable for everyone.

If you, like Buffett, are willing to take a long-term view, these stocks are interesting at current prices. However, there are numerous uncertainties facing both companies that short-term and medium-term investors may be uncomfortable with.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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