



## If You've Got \$1,000 to Invest, Buy This Warren Buffett TSX Stock

### Description

Warren Buffett has been raising some eyebrows with his recent buys and sells. His entry into **Barrick Gold** was likely viewed as the most remarkable buy of late. However, I think his decision to buy more **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock is the move that's more actionable for Canadian investors given the heavy oil behemoth is now close to the cheapest it's been in recent memory, whereas Barrick stock is a tad on the frothy side, having more than doubled in two years.

So, if you've got an extra \$1,000 to invest, Suncor looks like a prudent bet for value and income investors alike at this [market crossroads](#).

## Suncor Energy: A classic Warren Buffett-style deep-value stock

Suncor Energy has been a tough stock to own of late. Shares have been on the retreat once again despite the recent uptick in oil prices. There's no question that Suncor lost some of its income-savvy fans after the company chose to slash its dividend by 55%. However, there's no denying the deep value to be had in shares at \$20 and change.

At the time of writing, shares of Suncor trade at 1.04 times sales, 0.87 times book value, and 5.3 times cash flow, all of which are lower than SU stock's five-year historical averages of 1.97, 1.45, and 8.14, respectively. On a price-to-book (P/B) basis, Suncor stock hasn't been this cheap since the depths of the Great Financial Crisis.

The only thing Warren Buffett loves more than steeply discounted stocks are steeply discounted stocks of businesses that have rock-solid balance sheets and relatively resilient operating cash flow streams. Following capacity cuts and the recent dividend reduction, Suncor now sports one of the strongest balance sheets in the Albertan oil patch, making the company the best equipped to weather the hailstorm in the energy sector that may worsen before it bounces back to and beyond pre-pandemic levels.

The energy downturn has been rough on Suncor's business. Still, its stellar liquidity (current ratio over one) and the minimal amount of long-term debt makes the company one of the most prudent bets for

bargain hunters willing to go against the grain within one of the most out-of-favour sectors right now.

## The oil patch in a rough patch

I view Warren Buffett's latest bet not as a way for Buffett to play higher oil prices over the near term, but as a way to get adequately compensated with a now secure dividend (4% yield) while waiting for the economy and energy demand to normalize over the next several years.

"Warren Buffett used to be a cigar-butt investor, but these days, he's all about buying pieces of wonderful businesses at fair to wonderful prices, and at today's levels, Suncor fits the bill." I wrote in a [prior piece](#). "The oil patch is an ugly place to invest, but Suncor is a best-in-breed operator with a balance sheet that's now head and shoulders above most of its peers in the space."

## Foolish takeaway

Indeed, buying Suncor stock today is like buying the best player on a team that stinks.

The integrated energy kingpin is down, but it's not out given its Fort Knox-like balance sheet and relatively stable cash flows, both of which I think have been discounted by investors. It may take years for Suncor to get back on the uptrend. But if you've got the time to wait, I'd say it makes a tonne of sense to follow Warren Buffett into the name and collect the 4%-yielding dividend on shares while they trade at a more than 10% discount to book value.

The stock is unlikely to make you rich over the intermediate term given its untimely nature. However, it's a smart way to put an extra \$1,000 to work if you seek a wide margin of safety and long-term upside.

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### TICKERS GLOBAL

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