



Warren Buffett Lost 55% of His Money in This Canadian Stock

Description

Warren Buffett is known as “The Oracle of Omaha” for a reason. With an average return of 20% over more than 40 years, his portfolio has stood the test of time. That doesn’t mean he’s never wrong though. Occasionally, the Oracle has been known to swing a well-publicized miss. In this article, I’ll explore one such “Warren Buffett dud” that is down *at least* 55% since Buffett started buying it.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a Canadian energy stock that got absolutely ravaged by COVID-19. It lost \$3.52 billion in the first quarter, followed by \$614 million in the second. The collapse in demand for energy in the pandemic is largely to blame. With consumers sheltering at home, the price of gasoline tanked. Suncor, which sells gasoline directly to consumers, got stuck selling at lower-than-expected prices.

In normal times, Suncor Energy’s business model is solid. By extracting, refining, and selling its own products, it captures a lot of value. Many energy extraction companies sell their oil to other energy companies or pay to have their oil refined. Suncor runs a [fully integrated](#) operation from extraction to the pump, which helps it capture more profit.

But 2020 is not an ordinary year. In the early months of the pandemic, people were driving a lot less than usual. This hit gasoline prices as well as sales volume. It resulted in a situation where Suncor was unable to turn a profit. As a result, it has lost over \$4 billion in 2020.

How much Buffett has lost

Buffett’s [Suncor position](#) was first revealed in a filing February of 2019. He acquired it in the final quarter of 2018. The adjusted cost base of his investment wasn’t revealed. But SU stock was trading between \$36 and \$55 in Q4 2018. Assuming he got in at the very cheapest possible price in Q4, then he’s down 55% on those purchases.

In all likelihood, though, he didn't get the very lowest price on offer in an entire 90-day quarter. That would require incredible luck. So, he's actually likely down more than 55% on his 2018 Suncor investment.

Can he recover?

It's one thing to note that Buffett is way down on an investment, but quite another to say that he'll stay down. Buffett invests for the long haul, after all, and it's possible that Suncor will recover from here. However, it will take some time. As of this writing, Suncor is trading for \$16. It needs to more than double to get back to \$36. It doesn't seem likely that Buffett will recover his money on Suncor any time soon.

There is also the possibility that Buffett could "recover" by buying more shares at lower prices. That doesn't change the fact that he lost money on the 2018 investment, but it would make the adjusted cost base of the entire position lower. It is known that Buffett bought Suncor in Q2, when it was in the \$20 range. Perhaps that portion of his Suncor investment could rise enough to offset the 2018 investment. With that said, Suncor is now lower than \$20, so it looks Buffett is losing on that one, too.

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Date

2025/08/24

Date Created

2020/10/07

Author

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