



Warren Buffett: His Suncor (TSX:SU) Stock Is Down 63.30% in 2020

Description

Every investor worldwide looks towards Warren Buffett as the shining example of what success is like in stock market investing. The Oracle of Omaha revolutionized the investing world through his impressive investing career. We've seen him make several successful investing decisions, particularly in harsh economic landscapes, that have provided him immense returns over the decades.

Naturally, everybody looked to him as a beacon to guide them on investing decisions during the pandemic. However, Buffett was uncharacteristically quiet. His conglomerate, **Berkshire Hathaway**, accumulated a massive cash hoard months before the market crash. Everybody expected him to make big moves during the March downturn, but he chose to do nothing with the money.

[Berkshire's Q2 13F filings](#) revealed that Buffett has not been entirely idle.

Why has Buffett invested heavily in the energy sector?

According to the 13F filings, Berkshire bought around five million shares of Canada's energy sector giant **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)). Buffett already owned 14.2 million shares of the company, and now he owns 19.2 million shares of the energy company. The move was surprising because the company has been in decline for some time now.

The company took a massive hit from the oil price war between Saudi Arabia and Russia recently, and it had not even recovered from the oil crisis in 2014. The pandemic came along to make things worse for the company. Suncor is trading for a massive discount in this year alone.

The stock's valuation is \$15.50 per share at writing – a 63.30% discount from its valuation at the beginning of 2020. However, Buffett's decision to increase his position in the stock is a sign that he expects the energy sector to see a turnaround.

Suncor's long-term performance over the years has been fantastic. Its oilfields have an average lifespan of over 26 years, and it has generated stable cash flows through the years. The company provided its shareholders' dividends since 1992 and consistently increased its payouts until the 2008

financial crisis.

What can investors expect from Suncor?

Suncor began increasing its payouts soon after the 2008 crisis and regained its Canadian Dividend Aristocrat status. The stock looked well on its way to continue its dividend growth streak until the pandemic struck. Suncor's management decided to pre-emptively slash its dividends by 55% due to the pandemic.

Despite the massive decrease in its payout, it's paying its shareholders at a massive 5.42% dividend yield due to the discounted share prices. If the situation improves and the demand for oil picks up, Suncor investors could see massive returns through its capital gains and dividend payouts.

If the second wave of infections leads to another global lockdown, it's possible that Suncor could suspend its dividends.

Foolish takeaway

Adding Suncor to your investment portfolio seems like a coin flip. The stock could regain its value or devalue further, depending on which side the coin lands. Warren Buffett has clearly shown that he expects the Canadian oil sands giant to make a massive comeback eventually.

If you consider investing in Suncor, I would advise being very cautious about how much you choose to invest in the beaten-down company. It can [double your money](#) or devastate the invested capital.

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