



Warren Buffett: It's a Good Thing He Didn't Sell His Suncor (TSX:SU) Stock!

Description

The GOAT of investing was [shell-shocked](#) in the first quarter of 2020 by what he describes as the one-two punch. Warren Buffett stayed away for most of the market selloff in March due to the coronavirus outbreak and plunging oil prices. His conglomerate **Berkshire Hathaway** sold its entire stock holdings in airline companies.

Buffett also ditched businesses that were severely affected by shutdowns, including Canadian icon **Restaurant Brands International**. His followers also expected him to unload shares of struggling **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), which reported massive losses.

However, it was not to be, as Berkshire [bought more shares of the energy bellwether](#). Despite the \$4.14 billion net loss in the first half of 2020, Buffett's investment firm purchased roughly five million more Suncor shares in June to bring its total holdings to 19.2 million shares. Did Buffett make the right move?

Back to life

Suncor sprang back to life this month, as the stock climbed 24.67% from \$15.28 on November 6, 2020 to \$19.05 on November 9, 2020. It was an explosion of sorts considering almost three quarters of the downtrend. As of November 16, 2020, the share price is higher at \$19.67, although current investors are still losing by 52.41% year to date.

If you recall, management slashed dividends by 55% after the first quarter to preserve capital and protect the balance sheet. If you were to invest today, the dividend offer is 4.35%. Regular investors fear taking a position because the risks are high, but some analysts say the payout this time is safe.

Most undervalued stock

The managing director of oil and gas equity research at **BMO** Capital Markets, Randy Ollenberger, believes more upside on the way. He thinks Suncor is one of the most undervalued stocks, so he sees

the best opportunity. For Manav Gupta, an analyst at Credit Suisse, Suncor is approaching an inflection point. Thus, optimism on the stock should grow.

Suncor's third-quarter results show signs of improvement. Management is successfully arresting cash burn through deep cost-cutting measures aided by increasing oil prices. The company is on track to meet its operating cost-reduction target of \$1 billion and its capital cost-reduction goal of \$1.9 billion.

Buffett's value stock

Buffett has his reasons for keeping the energy kingpin from Canada. Berkshire held Suncor shares since late 2018 but is not giving up on the severely battered stock. Remember that Buffett maintains a long-term view, especially if the company is a blue-chip operator. Suncor is one, and that's good for the famous value investor.

Suncor lost loyal supporters, except for Warren Buffett. The worst is not over, and more setbacks are in the offing. However, the Berkshire Chairman is known to bet on strong stocks trading at great values. Oil prices will eventually rise, plus oil sands are good to last for more than two decades.

There's enough time to recoup losses in the recovery period or post-COVID environment. Mr. Buffett is a patient man. He could wait for five years and harvest the reward when Suncor's price triples. Market analysts forecast a 169% appreciation in the next 12 months.

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