2 Top TSX Stocks Warren Buffett Would Love

Description

The markets are dangerously overpriced right now, and this is a time when focusing on fundamentals and value investing can save your portfolio from incurring significant losses later on. Warren Buffett is the world's most popular value investor, and by following his investing principles, which involve paying attention to price and the multiples you're paying for an investment, you can unlock some great buying opportunities today. Below are two Canadian stocks that the billionaire investor would likely be a fan of.

Bank of Montreal

Buffett loves bank stocks, and **Bank of Montreal** (TSX:BMO)(NYSE:BMO) is a chartered bank in Canada that is a rock-solid buy for investors who just want an investment that they can buy and forget about, while also collecting a great payout. Shares of BMO are down 4% this year, although the stock has been rising in recent weeks, as investors have become more optimistic about the future.

But even with the increase in price, it's still an attractive value buy. BMO trades at a forward price-to-earnings (P/E) multiple of 12 and at just 1.3 times its book value. Bank stocks don't normally trade at large multiples, since there typically isn't much growth to pay a premium for. However, that's also why they're generally good investments — their valuations normally don't get too expensive; these aren't the types of investments that are going to get young retail investors so excited to the point where they're willing to pay 30 or 40 times earnings for a stock.

BMO is still well shy of its 52-week high of $104.75, and with its dividend now yielding around 4.4%, you can still secure some solid recurring income from owning this stock. BMO reports its earnings on Dec. 1 and a good report could send its stock even higher. But for investors like Buffett, what's important is the long-term trajectory, and that makes a top bank stock like BMO an attractive buy regardless of the price that it's currently trading at.

Fortis

Arguably even more stable than a bank stock is a top utility stock like **Fortis** (TSX:FTS)(NYSE:FTS).

The company doesn’t need the economy to be doing well and is a great recession-proof stock to hold on to in any economic situation. The stock hasn’t done incredibly well this year, falling about 2% thus far, and it has even underperformed this TSX, which is up 2% in 2020.

But that’s what makes Fortis a solid stock — it doesn’t get too high or too low, and it’ll continue paying you a dividend. Today, the utility giant pays a yield of 3.8%, not too far below BMO’s dividend. The stock is a bit more expensive than BMO, trading at a forward P/E of 18 and a price-to-book multiple of 1.4. However, Fortis has also been a bit of a growth stock over the years, with acquisitions fueling its revenue to $8.8 billion in 2019 — more than double its top line from 2013 where it recorded revenue of just over $4 billion.

Buffett loves consistency, and with lots of recurring revenue and profit margins that are normally in the double digits, Fortis is a forever stock that investors can hold on to in their portfolios without having to check on it every day or week.

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1. Dividend Stocks
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2. NYSE:FTS (Fortis Inc.)
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4. TSX:FTS (Fortis Inc.)

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