



Warren Buffett: Buy His Most Unloved Stock Before It Takes Off in 2021

Description

While stocks, on average, may seem unreasonably expensive after the historic rally out of those ominous March depths, there remain ample deep value opportunities on the financial- and energy-heavy **TSX Index**. You don't need to look too hard to find value in today's market, as long as you're like Warren Buffett and are willing to look foolish (note the lower-case "f") over the short-term with some of the most hideous names that have felt the full force of the COVID-19 impact.

Following Warren Buffett to value

Many COVID-hit plays are still being plagued by a slew of pandemic uncertainties. With the pandemic likely to wrap up in 2021 thanks to a wide range of effective vaccines, beaten-down names like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) have been cleared for take-off, with shares skyrocketing over 50% in just over a month's time. Suncor stock went from \$15, [a time when I pounded the table](#), to \$23, enriching value investors who stood by the fundamentals in spite of the dire macro environment.

I think Suncor is just getting started and would encourage investors to join the great Warren Buffett in the name, as we march closer to the end of this horrific pandemic.

Moreover, I'd argue that the risk/reward to be had in the hard-hit integrated energy play is too good to ignore for Buffett followers with an investment horizon measured in years, not just months. Without further ado, let's have a closer look at the Warren Buffett-approved COVID-19 recovery play that I believe grants investors a high probability of achieving outsized gains in 2021, a year that hopefully sees COVID-19 finally being conquered.

An unloved Warren Buffett pick that investors shouldn't count out yet

Things went from bad to worse for the Albertan oil patch this year. In an unprecedented move, Suncor Energy, one of the best-run integrated energy players out there, was forced to bring its dividend to the

chopping block, as it followed in the footsteps of fossil fuel behemoth **Royal Dutch Shell**.

To make matters worse, green energy has picked up a considerable amount of traction this year thanks in part to a green-friendly U.S. president-elect Joe Biden who will be taking the oval office in just a few weeks' time. Although fossil fuel plays are on the wrong side of a profound secular trend, it's important to remember that a transition to renewable sources of energy is not going to happen over just a few years.

Heck, it might take decades before big oil goes the way of the Dodo bird. As such, I think it's foolish (that's a lower-case "f") to think we've witnessed the final nail in the coffin for the fossil fuels and Warren Buffett's stake in Suncor.

The profound headwinds are gloomy long-term outlook have plagued even the best-in-breed integrated fossil fuel plays like Suncor Energy. As a result, Suncor stock crumbled, losing over 66% of its value from peak-to-trough this year.

Given Suncor is still gushing with cash and the likelihood that oil prices will continue on the uptrend on the other side of this pandemic, I'd say the risk/reward is nothing short of compelling for a name like Suncor, which shares are trading at around one times book value.

Foolish takeaway

Sure, fossil fuel plays will probably never be as [sexy](#) as they used to be, given the rise of renewables.

That said, the depressed valuations in the energy patch, I believe, have drastically overextended to the downside and think there are ample profits to be made by contrarians who have the courage to go against the grain. Suncor Energy is a king among men in the oil patch and it's Warren Buffett's preferred way to play Canada's oil sands for a reason.

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