



2 Top Warren Buffett Stocks to Buy in December

Description

Warren Buffett is one of the most successful investors in history. So, when Buffett's holding company **Berkshire Hathaway** buys stock in a particular company, investors take notice.

Buffett invests in Sirius XM

Recently, Berkshire Hathaway [bought shares of Sirius XM \(NASDAQ:SIRI\)](#), the leading satellite radio company in the U.S.

Although revenue grew only marginally for the quarter, Sirius raised its full-year guidance from the previous report in July. The company's revenue goal has gone from US\$8.1 billion in January to US\$7.7 billion in July to what is now US\$7.875 billion. This indicates that management thinks the worst ramifications from the pandemic are behind the company.

In the company's third quarter, revenue grew by 1% to US\$2.03 billion. This revenue growth was less than previous quarters due to COVID-19's impact on new car sales. U.S. auto sales fell by 9.4% to 3.9 million vehicles during the quarter. However, Sirius was able to offset the slump by growing its new car penetration rate to 78%, up from 72% this time last year.

Sirius expects its penetration rate to increase to approximately 80% through new OEM agreements with car manufacturers. During the recent quarter, Sirius expanded its agreements with several car manufacturers. The company also signed a new deal with Kia, in which Sirius XM hardware will be installed in almost all of the automaker's vehicles sold in the U.S.

Buffett is a value investor

Warren Buffett has long been known as a value investor. With the investment in Sirius XM, it appears that Buffett believes the future of the automotive industry looks promising.

With that in mind, consider an investment in **Linamar** ([TSX:LNR](#)), one of Canada's largest automotive-

parts manufacturers.

Linamar

Like Sirius XM, Linamar updated its guidance from earlier in the year. The company noted that COVID-19 had not hurt U.S. vehicle sales or manufacturing in Asia as much as previously expected.

Linamar now expects 73 million vehicles to roll off global assembly lines this year, up significantly from its forecast of 69.5 million issued in July.

Even during challenging times stemming from the pandemic, Linamar experienced strong sales and operating earnings in both its industrial and transportation segments during the company's third quarter.

Linamar reported [sales for the third quarter](#) of \$1,637 million, down \$102 million from the same period last year. As expected, the company slashed its capital expenditures by 53% to \$73.9 million from the third quarter of 2019.

Even though the guidance has been upwardly revised, Linamar remains focused on [cost-reduction and cash-conservation efforts](#). At the end of the quarter, the company held liquidity (measured as cash and cash equivalents and available credit) of \$1.3 billion, an increase from \$1.1 billion on December 31, 2019.

Although there is still a drag from the COVID-19 pandemic, CEO Linda Hasenfratz said, "Auto sales have bounced back nicely from (second quarter) lows," when the "inventory levels dropped quite low after two months of shutdown."

The bottom line

It is good to see that companies are beginning to raise their outlooks for the remainder of 2020.

If, as expected, the worst of the pandemic is behind us, the automotive industry should be prepared for a great year in 2021. Stocks like Sirius XM and Linamar will allow investors to cash in on the expected bounceback in the industry.

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