



Warren Buffett: Buy This Stock Now!

Description

Warren Buffett's portfolio is light on Canadian stocks these days. After selling **Restaurant Brands International** and trimming **Barrick Gold**, his exposure is less than what it used to be. But he still has one Canadian stock he's holding on to for the long term. In this article, I'll explore what that stock is and why Buffett thinks it's a good buy.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is an energy stock that Warren Buffett bought on the dip this year. It's an integrated energy company, which means it's involved in extracting, refining, and selling oil and gas products. A good proportion of its revenue comes from direct gas sales to consumers. The company owns a chain of Petro-Canada gas stations, where its gasoline is marketed. This lets Suncor extract more profit on a barrel of oil than a company that's only involved in one phase of the gasoline product life cycle.

When Buffett bought — and for how much

Based on the date of his purchase, Warren Buffett likely got in at somewhere around the \$20-\$30 range. Whale Wisdom estimates that he [paid about \\$26.50 per share](#). If that's the case, then he's down so far for the year. In fact, he's down even more than his second-quarter purchase suggests. It was actually a few years earlier that Buffett started accumulating SU shares, [when they were \\$40 or more](#). On that portion of the position, he's down close to 50%!

Why Buffett likes it

It's pretty clear that Warren Buffett is losing money on his Suncor Energy purchase this year. Based on Whale Wisdom's estimated purchase price, he's down 20%. But, as I noted above, that estimate seems to ignore the shares acquired prior to the second quarter. He's down more like 50% on that portion of the position.

Nevertheless, Buffett may have good reasons for holding on to his Suncor Shares. At today's prices, Suncor Energy trades at just 1.23 times sales and 0.93 times book value. This means that when you buy it, you're paying less than the value of the company's assets, net of debt. Granted, if the company keeps posting quarterly losses — as it has several times this year — then its book value will eventually be reduced. But assuming that oil and gasoline prices rise, this company will recover from its 2020 woes in short order. In that scenario, Buffett will end up looking smart for his 2020 Suncor investment.

Foolish takeaway

Warren Buffett's 2020 stock market moves haven't had the warmest reception. After selling out of airline stocks, he ran a huge net loss for the first quarter. He also sold out of some of his favourite Canadian stocks, and became a net seller of equities for the first time in his career. As a result, he missed out on one of the biggest and fastest bull markets in history. Nevertheless, the Oracle of Omaha hasn't given up on stocks completely. He was back to buying stocks by the third quarter, and he still seems to think Suncor is worth a buy. If you're seeking to emulate Buffett, then maybe SU is one pick to consider.

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