



Warren Buffett: 2 Canadian Stocks That Could Be Great Buys

Description

When it comes to investing in stocks, billionaire investor Warren Buffett sometimes likes to keep things simple. And during the coronavirus pandemic, many defensive stocks have done very well as people have been buying up day-to-day essentials. Those are areas where Buffett noted in a recent interview with CNBC could be very good investments. He singled out food manufacturers and large grocery chains as being successful this year, noting that “people haven’t quit eating.”

From the point of view of the **TSX**, there are two Canadian stocks that could be good Buffett buys based on that logic.

The grocery store giant

The first one is the Canadian retail giant **Loblaw** ([TSX:L](#)). While it’s not normally a popular investment, the grocery chain giant owns stores across the country and its business has been doing well this year.

In its most recent quarterly results, sales of \$15.7 billion grew at a rate of 6.9% year over year. Its year-to-date sales of \$39.4 billion are up a total of 8.2%. That’s a pretty high growth rate given that in 2019, its sales of \$48 billion were only 2.9% higher from the \$46.7 billion that Loblaw generated in the previous year.

Although the stock is down a modest 4% this year while the TSX is up around 2%, Loblaw could be an underrated buy. While investors are buying up overpriced tech and vaccine stocks, Loblaw remains an attractive value buy, trading at a forward price-to-earnings (P/E) multiple of less than 14. And with a dividend yield of just over 2%, it can also be a great source of recurring cash flow for your portfolio.

Loblaw stock hasn’t been soaring this year, but that’s precisely why it could be a great buy today. At a [cheap price](#) and the business looking strong, it could be an ideal buy for value investors like Buffett.

The food manufacturer

Another stock to put on your watch list is a big name in the food processing business: **Maple Leaf Foods** ([TSX:MFI](#)). Over the nine-month period ending Sept. 30, the company's sales of \$3.2 billion have risen 8.5% from a year ago.

Its sales have been over \$1 billion for four straight periods, while the company's net earnings of \$87.9 million this year are also up more than 53% from the \$57.2 million that Maple Leaf Foods reported in 2019 over the same period.

One key area of growth for the company this year has been its plant protein group, which includes the Lightlife brand, known for its plant-based burgers. Its year-to-date revenue of \$158.3 million is up 24.9% from last year as it looks to be on track for a banner year in 2020.

Overall, the food stock is doing better than Loblaw this year, rising more than 8% in value thus far. With a forward P/E of 22, it's a bit more expensive than Loblaw but its valuation still isn't obscene like many hot stocks are this year. Maple Leaf Foods also pays investors a bit of a higher payout, with a dividend yield of around 2.2%.

For long-term investors, this is another stock that you can buy and forget about while collecting a [decent payout](#) along the way.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:MFI (Maple Leaf Foods Inc.)

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