



TSX: 2 Top Warren Buffett Stocks to Buy in 2021

Description

Warren Buffett's many decades-long investing career has been immensely successful. That's why he is the world's one of the most successful investors. His investing style and approach are seemingly simple, but his stock picks might not be easily predictable for many reasons. For example, he believes in buying businesses based on their long-term growth potential rather than solely hoping to make a quick buck by trading its stock. And that's one of the factors that differentiates Buffett from most other ordinary investors.

Buffett's portfolio

Buffett surprised everyone after he included around 21 million shares of the Canadian mining company **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) in **Berkshire Hathaway's** portfolio. This came slightly more than a year after Buffett [invested](#) in the Canadian integrated energy company **Suncor Energy** ([TSX:SU](#))(NYSE:SU).

Looking at Buffett's immensely successful track record, most of his followers bought these Canadian companies' shares right after the news came out. But before doing so, let us take a quick look at the recent financial trend of these two companies that Buffett decided to invest in.

Barrick Gold

The Toronto-based Barrick Gold currently has a market cap of around \$53.6 billion. A day after the news of Berkshire Hathaway's stake in the company came out; its stock jumped by around 12%. However, its stock couldn't end 2020 with huge gains as it lost around 22% in the fourth quarter of the fourth quarter.

Despite the pandemic-related concerns, its revenues continue to grow positively. In the first three quarters, its revenue growth rate remained between 30 to 48% year over year. Also, its profitability has more than doubled on a YoY basis in the last couple of quarters. Bay Street analysts also expect Barrick Gold's full-year 2020 profits to also more than double.

The quarter ended September 2020, Barrick Gold's adjusted net profit margin significantly improved to above 20% — far better than 10.4% a year ago and 13.6% in the previous quarter. Based on its solid recent fundamental trend you can expect its stock to soar this year.

Suncor Energy

Suncor Energy is a Calgary-based energy company with the United States being its single largest market. The company revenues [plunged](#) in the last three quarters due to demand challenges driven by the COVID-19 restrictions. Nonetheless, its profit margins remained strong.

Suncor's downstream utilization continued to build to pre-COVID-19 levels in the third quarter. That is likely to help the company post far better operating performance from the fourth quarter onward. Currently, Suncor is working on interconnecting the pipelines between its base plant and Syncrude — which is nearing completion. The company's management expects this bidirectional pipeline to improve operational flexibility with better integration between its assets.

Last year, its stock fell by about 50%, and it's currently trading with 8% year-to-date gains. I find its stock to be undervalued at the moment, with an enterprise value to sales ratio of 2.13x against the industry average of 3.12 times. You may want to include its stock in your portfolio before its valuation multiples start inching up again with a rally in its stock price in 2021.

Bottom line

After looking at these two Buffett-owned **TSX** stocks' recent financials, it's clear that it's not just about following Warrant Buffett's lead. If you're looking for good undervalued companies with improving fundamentals, then buying these two Canadian stocks in 2021 makes perfect sense to get handsome returns on your investment.

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2. NYSE:SU (Suncor Energy Inc.)
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Author

jparashar

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