



TSX: 1 Top Warren Buffett Stock to Buy in 2021

Description

Warren Buffett has been ruling the investing world for the last many decades. He is known for consistently picking great undervalued companies — one after another — in which to invest. Buffett believes in investing for the long-term to avoid the short-term market noise. These are some of the qualities that have made him the world's one of the greatest investors ever.

Let's take a quick look at one of his recent Canadian stock picks that could turn out to be extremely rewarding in the coming years.

Buffett's faith in Suncor Energy

Buffett's investment company **Berkshire Hathaway** nearly 10.8 million shares of the Canadian integrated energy firm **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) in early 2019. Apart from the United States, Suncor currently [makes](#) most of its revenue from its home market. Canada accounted for more than 80% of its total revenue in 2019. The company also works on refining of oil products and its transportation across Canada. At the same time, its interest in the renewable energy business has increased lately.

Months after Berkshire Hathaway's 2019 transaction, Suncor Energy's shares remained mixed and ended the year with 11.6% gains. In the first quarter of 2020, Suncor's shares tanked by 47%. Nonetheless, Buffett showed confidence in his stock pick and continued to increase his investment firm's stake in the energy company. According to the latest SEC filings, Berkshire holds over 19 million shares of Suncor Energy worth nearly US\$335.5 million.

How its fundamentals look

Buffett usually likes to invest in profitable companies with a moat that pays dividends. Suncor Energy fits all these criteria. Its dividend yield currently stands at 3.9%. Suncor's bottom line significantly improved in the last three years until 2019. The company is expected to report a \$1.55 net loss per share in 2020, though, as the COVID-19 badly affected its business operations and fuelled costs.

Nonetheless, Bay Street analysts expect Suncor Energy to be back on the path of profitability this year. These estimates suggest that its profit margins would completely come back to normal levels by fiscal 2023. In 2019, Suncor Energy's adjusted net profit margin was at 11.2%.

According to Suncor Energy's 2021 [guidance](#), its refinery utilization rate is expected to be between 90% to 96% — with an increase in total production. A higher refinery utilization rate could help the company report a better-than-expected profit margin in the next couple of years, potentially triggering a long-term rally in its stock price.

Why is it a good buy?

If you follow Buffett and believe in his value investing philosophy, Suncor Energy could be a great value buy right now — before it starts rallying. The company's downstream utilization has already improved to pre-COVID-19 levels. I believe it would help Suncor Energy to meet its 2021 outlook easily.

Overall, Suncor Energy could be one of the most appealing stocks in Warren Buffett's portfolio at the moment. Especially if you believe in investing and holding shares for the long-term, then this income yielding the stock could be right for you to get handsome returns on your investment.

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