



How to Copy Warren Buffett: 2 TSX Stocks From His Playbook

Description

Warren Buffett has said, “Buy companies with strong histories of profitability and with a dominant business franchise.” He has encouraged many investors to look for stocks with strong competitive moats and many years of growth opportunities ahead. Perhaps, that is why **Berkshire Hathaway’s** recent [SEC 13F filings](#) indicated that it purchased new positions in **Verizon Communications** and **Chevron**.

Warren Buffett believes in these 2021 trends

While it is difficult to speculate exactly the thesis behind these purchases, there are a few themes Warren Buffett appears to like. Clearly, 5G and telecommunications are a trend that will continue to accelerate in 2021, pandemic or not.

Second, oil and gas continue to see a strong recovery out of the pandemic. How could it be any worse than 2020? A global economic recovery could certainly offer [some great upside](#) for energy stocks.

These themes could play out in 2021 and beyond. Many of these companies are top businesses in their segment. That is likely why Warren Buffett is steering towards them. If you wanted to play off similar themes in Canada, here are two top **TSX** stocks that mirror some of Warren Buffett’s recent moves.

Telecom stocks are cheap despite the 5G wave

While Warren Buffett has not bought **Telus** ([TSX:T](#))([NYSE:TU](#)), to me it is as good as, or better than, any American telecom peer. Telus is seeking to be more than just a communications company. It is seeking to be a leader in social capitalism and digital innovation.

While its wireline and wireless businesses performed admirably in a difficult 2020 (fourth quarter net additions were industry leading at 253,000), the company has been delivering value in its fast-growing digital pursuits.

Telus just IPO'd **Telus International**, which garnered a historic market cap on the **TSX**. Similarly, Telus is investing in tele-health, digital agriculture, security, the internet of things, and social impact ventures.

Each one of these segments present strong thematic opportunities into the digital future, setting Telus to be a leader in many fronts, including 5G. While the stock pays a consistently growing 4.7% dividend, this stock is so much more than the income it produces.

This stock is like a recent Warren Buffett acquisition

Another Canadian stock that aligns with Warren Buffett's playbook is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). Warren Buffett acquired a US\$9.7 billion natural gas pipeline from **Dominion Energy** last year — one of his largest purchases in a while.

Frankly, pipelines are almost impossible to construct anymore. That means the current ones in operation should increasingly grow in value over time. Clearly, Warren Buffett believes you don't get a better moat than that.

That is why I like Enbridge. It has one of the largest oil and natural gas pipeline/infrastructure networks in North America. Its pipelines are essential for the functioning of a good portion of North America's economy. Consequently, the company garners stable, contracted cash flows that afford it to pay its 7.5% dividend.

Despite a challenging 2020, Enbridge still exceeded the mid-point of its distributable cash flow (DCF) guidance. While its Line 3 Replacement project saw costs increase \$1.1 billion, management still believes it can achieve annual DCF growth of 5-7% until 2023.

Enbridge is also investing aggressively in various renewable ventures like wind/solar, hydrogen, and cogeneration. This could be an area of further growth for the business going forward. All-in, this stock is cheap, it pays a nice yield, and like other top energy players, is likely due for price recovery as oil prices balances out. Given Warren Buffett's recent moves, he probably has a similar thesis on stocks like Enbridge.

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