



## TFSA Investors: 3 Pointers From Legendary Warren Buffett

### Description

When it comes to the investing world, very few people have the aptitude of Warren Buffett. Based on a principle known as value investing, Warren Buffett's strategy is to find undervalued companies in industries he understands that he intends on buying and holding indefinitely.

At the centre of Warren Buffett's approach are three main philosophies that I will share with you.

### Understand the businesses you invest in

Warren Buffett has been quoted saying, "Never invest in a business you cannot understand." The crux of this argument lies in the fact that investors are able to make better decisions in industries they know well.

Warren Buffett himself practices what he preaches with his company, **Berkshire Hathaway**, owning companies such as Dairy Queen and Fruit of the Loom. Dairy Queen is a fast-food restaurant that specializes in hamburgers and ice cream. Fruit of the Loom is an American company that manufactures clothing, with a focus on underwear and sports equipment.

In terms of Canadian stocks, Warren Buffett would be interested in the likes of **Sleep Country**, which engages in the [retail and online sales of mattresses](#). Sleep Country owns Endy, an online mattress-in-a-box company. Based on my calculations using a discounted cash flow model, I determined Sleep Country has an intrinsic value of \$24.23 per share, which is a premium to the \$20.49 at the time of writing.

### Plan to buy and hold stocks forever

When it comes to the time horizon for investing, Warren Buffett makes a good point. "If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes."

The main point of this argument centres on discipline. The best investors are usually the most patient

and can invest without emotion. I remember reading an article on Warren Buffett whereby he mentioned the best way to approach investing is to analyze a company as if you were to buy it. If the company is not attractive enough to buy, then it is not attractive enough to invest.

Using this approach, I am bullish on **Fire & Flower**. The company engages in the retail sale of marijuana and marijuana related products. It is backed by an investment from **Couche-Tard** of \$26 million for a 9.9% stake in the company. This gives it an implicit value of \$2.16 per share.

## Price and value are not the same

This is arguably the most important distinction to make when it comes to investing. Warren Buffett makes a very good point about price and value. "Price is what you pay. Value is what you get."

I couldn't have said it better myself. This is one of the key philosophies behind intrinsic value for value investors. By using valuation methods such as discounted cash flow, comparable company analysis, and precedent company analysis, investors can determine the present value of a business.

I am a proponent of value investing, and through this method, I calculated that **Recipe Unlimited** is [currently undervalued](#). With an intrinsic value of \$97.83 compared to the price at writing of \$18.83, Recipe Unlimited has the potential to deliver significant returns to its investors. The company was formerly called Cara Operations, and its brands include The Keg, Milestones, and Bier Markt to list but a few.

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### Date

2025/07/02

### Date Created

2020/01/30

### Author

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