

3 Top Canadian Companies With a Rich History of Profits

Description

These Canadian companies have weathered challenges and have a rich history of growth and profits. For conservative investors interested in some investment stability in uncertain markets I believe it pays to look at these three for your portfolio.

Canadian National Railway

Cash flow: CN Rail's ([TSX: CNR](#)) ([NYSE: CNI](#)) operating cash flow for the trailing 12 months is \$3.55 billion. Its levered free cash flow is \$1.17 billion. After a business has paid its obligations on its debt, levered free cash flow is the free cash flow that remains. The operating cash flow for its competition, **Canadian Pacific Railway** ([TSX: CP](#)) ([NYSE: CP](#)), is \$1.99 billion. CP Rail's levered free cash flow is - \$145.86 million.

Dividends: This past January, CN Rail announced that its Board of Directors approved a 16% increase in the company's cash dividend. CN Rail's dividend on an annualized basis is \$1.00 per common share.

A new challenge: A Canadian federal government bill (Fair Rail for Grain Farmers Act) would give grain shippers more liberty to choose which railway will move their grain. Generally, grain shippers have to choose between Canadian National Railway and Canadian Pacific Railway. As reported in a recent *Globe & Mail* newspaper editorial, "... they may not transfer grain to the other railroad unless the elevator is within 30 kilometres of them." However, the new bill would set the limit at 160 kilometres. Therefore, as the editorial continues, this gives, "...more choice to growers and shippers."

Canadian Natural Resources

Balanced portfolio: Canadian Natural ([TSX: CNQ](#)) ([NYSE: CNQ](#)) produces and develops natural gas and crude oil and has a large, balanced portfolio of assets. It holds the largest undeveloped land base in Western Canada. Its asset base also includes Offshore Africa and the North Sea.

Control of midstream assets: Its midstream asset portfolio consists of three crude oil pipeline systems. It also includes a 50% ownership in an 84 megawatt cogeneration plant at Canadian Natural's steam generation facilities at Primrose (Cold Lake deposits – Western Canada).

At present, its Primrose operations produce from the Clearwater reservoir using the Cyclic Steam Stimulation (CSS) process. CSS is a proven technology adaptable to thinner inter-bedded reservoirs. CSS requires just one well bore. In comparison to Steam Assisted Gravity Drainage (SAGD), it results in decreased capital investment. The company is a leader in the commercial application of horizontal well CSS.

Acquisitions: Canadian Natural announced recently entering into an agreement involving the acquisition of Devon Canada's Canadian conventional assets (this does not include Horn River and the

heavy oil properties). The acquisition provides considerable benefit in liquids-rich natural gas as well as light crude oil properties. This acquired asset package includes a royalty revenue stream targeted to earn about \$75 million in cash flow throughout this year.

Canadian Imperial Bank of Commerce (CIBC)

Volume growth: CIBC ([TSX: CM](#)) ([NYSE: CM](#)) is receiving strong returns from its retail and business banking segments. These core businesses reported net income of \$746 million for Q1 2014. This is an increase of \$166 million or 29% from the prior year's same quarter. CIBC noted that adjusted net income was \$643 million, an increase of \$61 million or 11% from the same quarter a year prior. This was due to higher revenue because of volume growth across most products as well as higher fees.

Growth across most products is a safety net as it is not beholden to one or a few products. If one slips, there are many to keep the ship afloat.

Return on equity: ROE measures the profitability of a company. It is a gauge of how well a company utilizes shareholder funds to produce a profit. CIBC has an industry-leading ROE. Its ROE is 21.03%. **Toronto-Dominion Bank** ([TSX: TD](#)) ([NYSE: TD](#)) has an ROE of 13.35%, and **Royal Bank of Canada** ([TSX: RY](#)) ([NYSE: RY](#)) has an ROE of 17.19%.

Foolish bottom line

Railways, oil and gas companies, and banks are solid foundations to build a portfolio on — and have been for decades. Those averse to more risky investments may wish to perform due diligence on three strong 'performers' in essential industries. Dividend growth, a balanced portfolio, and robust ROE, respectively, are just a few of the reasons to investigate these companies further.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:CNQ (Canadian Natural Resources)
4. TSX:CM (Canadian Imperial Bank of Commerce)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:CNR (Canadian National Railway Company)

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