Build Wealth With No Stress: Here Are 3 Top "Big Kahuna" Stocks to Buy Now

Description

Hi, Fools. I'm here again to highlight three companies with high returns on equity (ROE). As a quick refresher, I do this because high-ROE companies usually boast two positive qualities: a strong management team that prioritizes efficient use of shareholder capital; and a wide "economic moat", or competitive edge, that translates into industry-topping returns.

ROE isn't perfect — no metric is. But it remains one of the best tools we have to zero-in on industry leaders — or, as like to call them, "big kahuna" companies.

Let's get to it.

Roger that

Leading off our list is **Rogers Communications** (TSX:RCI.B)(NYSE:RCI), which consistently posts an ROE above 20%. Shares of the telecom giant are up a solid 16% over the past year versus a gain of 4% for the **S&P/TSX Capped Telecom Services Index**.

Rogers entered 2019 with plenty of operating momentum. In the most recent quarter, total revenue improved 3%, EBITDA increased 8%, and postpaid wireless subscribers grew a net 124,000. Thanks to that strength, management upped its full-year EBITDA and free cash flow expectations.

"We delivered strong results and continued momentum in the third quarter," said President and CEO Joe Natale. "We are pleased with our progress and confident in the future of this roadmap."

When you combine Rogers' low beta of 0.4 with its high ROE and current business momentum, the risk/reward trade-off remains attractive.

Fashionable choice

With a trailing 12-month ROE of 25%, **Aritzia** (TSX:ATZ) is our next high-quality stock star. Shares of the fashion retailer are up 18% over the past year versus a loss of 12% for the **S&P/TSX Capped Consumer Discretionary Index.**

Aritzia's ROE is especially impressive when you consider how fast the company is growing. Over the past five years, Artizia has grown its revenue, income, and operating cash flow by 97%, 182%, and 133%, respectively. And with management eyeing more U.S. expansion in 2019, don't expect those rates to slow anytime soon.

"Our business in the United States is so good right that we feel we can open up in any premier shopping destinations in the United States and do extremely well," said CEO Brian Hill in a conference call.

Currently, the stock boasts a reasonable forward P/E of 18.

Bank on it

Rounding out our list is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), whose ROE is consistently in the high-teen to low-20% range. Shares of the banking behemoth are down 12% over the past year versus a loss of 8% for the **S&P/TSX Capped Financials Index**.

CIBC looks like a timely opportunity. The company's revenue and EPS both missed estimates in the most recent quarter, which triggered a bit of worry among investors. But despite the miss, CIBC's net interest margin continued to expand while commercial banking saw double-digit volume growth.

"We made excellent progress in continuing to embed a client-focused culture, investing in our cross-border platform and enhancing value for our shareholders," said President and CEO Victor Dodig. "Looking forward, we are well positioned to continue to build a client-focused bank that delivers superior shareholder returns."

With a juicy dividend yield of 5%, CIBC looks too good to pass up.

The bottom line

There you have it, Fools: three high-ROE stocks worth checking out.

As always, don't view them as formal recommendations. Instead, view them as a starting point for more homework. Even high-ROE companies can decline sharply without notice, so plenty of due diligence is still required.

Fool on.

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2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:ATZ (Aritzia Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)
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