Build Your RRSP the Warren Buffett Way: 3 High-ROE Stocks to Buy Now

Description

Hello again, Fools. I'm back to highlight three attractive companies with a consistently high return on equity (ROE). As a quick reminder, I do this because high-ROE businesses usually display two important qualities:

- a strong management team that emphasizes efficient use of shareholder capital; and
- a durable competitive advantage that translates into outsized industry returns.

In other words, ROE remains one of the best tools we have to measure business quality — something especially important when trying to safely build a RRSP nest egg.

As the great Warren Buffett once said, "[T]he best business to own is one that over an extended period can employ large amounts of incremental capital at very high rates of return."

Let's get to it.

Tasty opportunity

Kicking off our list is fast-food restaurant operator **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), which consistently posts an ROE in the high 20s.

The company continues to use scale and the power of its brand-name franchises — Tim Hortons, Burger King, and Popeyes — to deliver strong results for shareholders. In 2018, sales grew 7.4%, adjusted EPS increased 25%, and adjusted EBITDA improved 4.1%.

Based on that strength, management boosted its 2019 dividend target by 11%.

"Throughout the year, we continued to maintain a balanced approach to capital allocation through our increased dividend, share repurchases, and reinvestment in our brands, illustrating our confidence in the long-term growth potential of our business," said CEO Jose Cil.

The stock is up 22% so far in 2019 and sports a dividend yield of 2.8%.

Telus everything

With a ROE consistently in the high teens, telecom giant **Telus** (TSX:T)(NYSE:TU) is next up on our list.

Telus's efficient scale and cost advantages allow it to earn dependable returns for investors. In the most recent quarter, revenue increased 6.3%, EBITDA improved 4.3%, and postpaid wireless net additions clocked in at a solid 112,000.

Due to that strength, management continues to target a 7-10% dividend increase in 2019, which follows six straight years of 10% annual dividend growth.

"Our proven strategy, gives us confidence in our 2019 targets announced today, including revenue growth up to 5% and EBITDA growth up to 6%," said President and CEO Darren Entwistle.

Telus shares are up 9% in 2019 and offer a scrumptious dividend yield of 4.3%.

Golden goose

Rounding out our list is winter jacket specialist **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS), which boasts a whopping ROE in the mid-40s.

The stock saw a fair bit of volatility in late 2018 on worries over a possible boycott in China, but the most recent results should ease some of those concerns. In Q3, revenue jumped 50%, adjusted EBITDA spiked 60%, and EPS spiked 66%. Moreover, the gross margin improved 80 basis points to 64.4%, suggesting that the company's competitive position is only strengthening.

"We have successfully entered new markets, introduced new product, and increased capacity to meet growing demand in both channels," said President and CEO Dani Reiss. "We remain deeply confident in the long runway we have ahead."

Canada Goose shares are up 9.5% so far in 2019.

The bottom line

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

They aren't formal recommendations, of course. They're simply a starting point for more research. Even high-ROE companies can disappoint if you don't pay attention to the risks, so plenty of due diligence is still required.

Fool on.

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