2020 Crash Protection: 3 Sharp Ways to Protect Your Nest Egg in the New Year

Description

Hi there, Fools. I'm back again to highlight three companies that generate boatloads of cash flow. As a quick reminder, I do this because cash flow is used by management teams for shareholder-friendly moves such as:

- paying hefty dividends for income-seeking investors;
- buying back shares at depressed prices; and
- growing the business without having to take on too much debt.

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While speculating on small-cap cash burners can be profitable over the near term, buying into high-quality cash *producers* remains the most prudent path to wealth.

So if you're looking for a way to "recession-proof" your portfolio in 2020, this list might be a good place to start.

Chugging along

Leading off our list is **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), which has generated $2.9 billion in operating cash flow over the past 12 months. Shares of the railroad giant are up about 19% over the past year.

CP's efficient scale (3.2 billion revenue ton miles in November), significant cost advantages, and highly regulated operating environment continue to support stable fundamentals. In the most recent quarter, earnings per share of $4.61 topped estimates by $0.11 as revenue improved 4% to $2 billion.

More important, CP posted a record-low operating ratio of 56.1%.

"After a record second-quarter that included strong operating metrics including train speed and terminal dwell, we continue to see those performance measures be improved upon," said CEO Keith Creel.

CP currently offers a dividend yield of 1.1%.

Seeing stars

Next up, we have **Constellation Software** (TSX:CSU), which has produced $941 million in trailing 12-month operating cash flow. Shares of the software specialist are up 47% over the past year.

Constellation's broad portfolio of high-quality businesses, global reach (125,000 customers in over 100 countries), and proven track-record of growth should continue to fuel solid returns. In the most recent quarter, earnings jumped 24% as revenue increased 15% to $870 million.

More importantly, operating cash flow increased 14% to $163 million while free cash flow improved $22 million to $134 million. Over the past five years, Constellation has grown its operating cash flow by a whopping 150%.

Constellation shares trade at a forward price-to-earnings ratio of 36.

Tasty opportunity

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With $3.7 billion in trailing 12-month operating cash flow, **George Weston** (TSX:WN) rounds out our list. Shares of the food giant are up 11% over the past year.

George Weston's solid performance continues to be underpinned by a diversified business model (retail, bakery, real estate), massive scale (2,300 retail locations), and highly dependable fundamentals. In the most recent quarter, earnings increased $18 million as revenue improved 2.5% to $15.2 billion.

More importantly, free cash flow clocked in at an impressive $571 million.

"George Weston's operating businesses in retail, real estate, and consumer goods had another quarter of solid performance," said Chair and CEO Galen Weston. "Loblaw remains committed to investing in customer experience and building loyalty to deliver long-term value for shareholders."

George Weston currently offers a dividend yield of 1.9%.

The bottom line

There you have it, Fools: three "cash cows" worth considering.

As always, these aren't formal recommendations. Instead, see them as a starting point for further research. Even the most stable cash generators can suffer setbacks, so plenty of your own due diligence is still required.

Fool on.

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1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)
3. TSX:CSU (Constellation Software Inc.)
4. TSX:WN (George Weston Limited)

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