



Canadian Investors: Panic Less and Stick With Industry Leaders

Description

The worst may not be over, as the impact of COVID-19 on the economy is yet to be known. However, weak economic indicators suggest that the bad days are ahead and the economy could take time to normalize. Amid such a scenario, it's prudent to invest in industry leaders, as smaller players could take a bigger hit from the ill-effects of the coronavirus on the economy.

Park Lawn ([TSX:PLC](#)), **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)), and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) are three such industry leaders that investors should rely on for capital appreciation and consistent income.

Funeral services provider

Park Lawn is Canada's leading funeral and cremation service provider. The death-care industry in itself is recession-resilient. Besides, zoning approvals and government regulations act as a barrier for new entrants.

The COVID-19 outbreak is likely to put pricing pressure on smaller players, while Park Lawn's economies of scale and ability to acquire new companies positions it well to benefit from the consolidation in the industry.

The industry is witnessing increased demand for cremation and memorialization services and promises enormous returns. For instance, Park Lawn's revenues and profits are growing at a robust rate since 2015. Meanwhile, the company remains well positioned [to benefit from its recent acquisitions](#) that added to its cemeteries and funeral home assets.

With strong top-line growth and operating efficiencies, Park Lawn should continue to post impressive earnings growth, which should support its cash flows and future dividends.

Transportation and logistics giant

Canadian National Railway is a transportation and logistics leader. The company has a solid track record of delivering strong growth. Besides, it emerged strongly from every downturn in the economy.

Canadian National Railway's revenues have grown at a CAGR (compound annual growth rate) of 7% since 2016. Meanwhile, its net income has grown at a CAGR of 5% during the same period. The company is a Dividend Aristocrat, and its dividends have grown at a CAGR of 16% since 1996.

While the COVID-19 outbreak could hurt near-term volumes of the transportation companies, Canadian National Railway remains well positioned to benefit from its ability to restructure pricing and TransX acquisition.

The company's industry-leading position, diverse and large customer base, operational efficiencies, and ability to consistently generate substantial cash flows make it a top stock amid turbulent times.

Canada's largest lender

The low interest rate environment is likely to increase the competitive activity in Canada's banking space. As the banks compete to grab a bigger share of customers' wallets, Royal Bank of Canada is set to gain for being Canada's biggest bank.

While higher provisions, low interest rates, and credit risk pose challenges, the bank's ability to drive loans and deposits should continue to cushion its top and bottom lines. The bank remains well capitalized and has very little exposure to the vulnerable sectors, which is encouraging.

In the most recent quarter, its loans and deposits increased by 10% and 17%, respectively. Meanwhile, for the first half of the current fiscal quarter, its adjusted efficiency ratio improved to 52.1% from 52.7% in the prior-year period. The bank's dividends have grown at a [CAGR of 7% since 2009](#) and are safe.

While challenges persist in the near term, Royal Bank of Canada remains well positioned to gain from the economic recovery.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:PLC (Park Lawn Corporation)
5. TSX:RY (Royal Bank of Canada)

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Author

snahata

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