A Great Canadian Stock to Buy and Never Sell!

Description

The year 2021 has thus far been pretty good for Canadian stocks. The markets are once again starting to look more favourably on **TSX** dominating financials, energy stocks, industrials, and to some extent, real estate. As result, the TSX Index has seen a nice recovery since November

Expect some volatility in 2021

Yet, markets have been hot as of late and investors need to expect some volatility in 2021. It could be concerns over inflation, interest rates, or general anxieties about the COVID-19 pandemic that trigger some temporary downside. Yet, regardless of what happens, there are still great opportunities investing in the stock market.

In a slightly speculative investment environment, Canadians can do themselves a few favours that will both protect and create wealth. First, think long-term in your investing strategy. Numerous studies have found that patient, long-term investors generally outperform traders over longer periods. Second, seek out companies (not just stocks) that are finding ways to not only navigate the pandemic, but will actually get stronger emerging from it. Third, if you are concerned about market volatility, buy stocks that pay well-covered dividends and produce stable, growing cash flows.

A top Canadian stock to tuck away for a longtime hold

If you combined all of these factors, one Canadian stock that looks attractive right now is **Canadian Pacific Railway** (TSX:CP)(NYSE:CP). The company just reported is fourth-quarter and year-end earnings results. Given some of the challenges presented by COVID-19, the earnings still look pretty good. For the quarter, revenues did falter by 3% to $2.01 billion.

Yet, earnings per share increased year over year by 23% to $5.95 per share. Adjusted diluted earnings per share increased year over by 6% to a record of $5.06 per share. The company produced a record-low operating ratio of 53.9%!

For the year, CP recorded a slight 1% decrease in revenues to $7.71 billion. Yet, earnings per share and adjusted earnings per share rose over 2019 by 3% and 7.5%, respectively. Similarly, its operating ratio for the year sat at an industry-leading 57.1%! To compare, **Canadian National Railway's** operating ratio stood at 61.4% for the quarter and actually worsened to 65.4% for the year.

CP found a way to get better through a tough year

Given this, I like CP's prospects for 2021. The year 2020 was a tough one. Various rail volume segments were slowed or disrupted by the pandemic. Yet, management found a way to get better through the challenges. Its decreasing operating ratio and increasing earnings demonstrate that this Canadian stock is finding ways to cut inefficiencies and increase margins.

I love that it hit record earnings despite facing lower volumes. In fact, for the year the company had records in locomotive productivity (2% improvement), fuel efficiency (1% improvement), average train length (7% improvement) and average train weight (6% improvement).

This Canadian stock should keep chugging higher in 2021

The point is, it moved more goods at less cost and in a safer manner. All I can think of is how good this company will look when the economy normalizes and normal transport volumes return. Management is targeting double-digit adjusted diluted earnings per share growth and high single-digit volume growth for 2021.

To conclude, this is a great Canadian stock you can stuff into your investment account and forget about. While it pays a measly 0.88% dividend, it has consistently grown that pay out every year since 2016. Its track and vital transportation services will not disappear anytime soon. The stock is down 10% since the start of the year, so to me today looks like a great long-term entry point.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
2. TSX:CP (Canadian Pacific Railway)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Coronavirus
2. Investing
3. Stocks for Beginners

Date
2025/08/24
Date Created
2021/01/28
Author
robbybrown