



## 1 Top TSX Bank Stock Beginners Should Buy and Hold Forever

### Description

[Warren Buffett](#) famously said that investors should [buy the stocks of great companies and hold them forever](#). At the Motley Fool, we take Buffett's advice to heart and believe in the power of a long-term perspective when it comes to investing.

Although everyone likes to find a good value stock, sometimes it is better to buy the stock of a great company at an okay price, as opposed to the stock of a mediocre company at a good discount. The stocks of businesses with sustainable, excellent performance make the best buy-and-hold stocks.

For this reason, new [Canadian investors](#) should focus on the stocks of companies with excellent fundamentals, understandable business models, essential products and services, wide economic moats, solid financial ratios, and good management.

### Royal Bank of Canada

My beginner stock pick today is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). As one of Canada's largest and oldest banks (dating back all the way to 1864), RY has been a mainstay in the Canadian stock market for decades.

RY currently operated in multiple segments, including personal & commercial banking, wealth management, insurance, investor and treasury, and capital markets. With over 85,000 employees, RY has offices all across Canada.

Currently, RY is the largest stock in the TSX by market cap, having ascended to that position through years of strong growth, profitable operations, and excellent management.

### Valuation

RY is solid enough of a company that I would not worry about trying to time a good entry price. However, new investors should always be aware of some basic [valuation](#) metrics, so they can

understand how companies are valued and what factors influences their current share price.

Currently, RY is extending gains since Monday and is currently trading at \$136.66, which is near the 52-week high of \$149.6. In the current fiscal quarter, RY's 52-week low is \$114.91.

RY current has a market cap of \$207.01 billion with approximately 38.81 billion shares outstanding. This gives it an enterprise value of \$316.96 billion with an enterprise value to EBITDA ratio of 10.11 — similar to sector peers.

For the past 12 months, the price-to-earnings ratio of RY was 12.91, with a price-to-free cash flow ratio of 3.52, price-to-book ratio of 2.10, price-to-sales ratio of 4.54, and book value per share of approximately \$69.26.

RY is currently covered by a total of 20 analysts. Of them, 13 have issued a “buy” rating, three have issued a “sell” rating, and four have issued a “hold” rating. This is generally a considered a bullish sign.

RY has a Graham number of \$132.45 for the last 12 months — a measure of a stock's upper limit intrinsic value based on its earnings per share and book value per share. Generally, if the stock price is below the Graham number, it is considered to be undervalued and worth investing in.

## Is it a buy?

Despite its current share price being more or less fairly valued, long-term investors should consider establishing a position if they have the capital. Over the next 10 – 20 years, your entry price won't matter as much if RY continues its strong track record of growth and profitability. Consistently buying shares of RY, especially if the market corrects, can be a great way to lock in a low cost basis.

### CATEGORY

1. Investing
2. Stocks for Beginners

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tdong

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