2 Quality Stocks I Would Buy for the Long Term

Description

There are a lot of stocks on the TSX, and it's easy to get caught up in the hype and make a bad investment. I like to invest in stocks that have strong financials, offer good growth prospects, and are not overpriced. The two stocks listed below meet my criteria, and I would definitely be buying shares of these companies if I was looking to add investments to my portfolio.

Pure Industrial Real Estate Trust (TSX:AAR.UN) is a REIT that owns and operates industrial properties in Canada and the United States. The reason I like this stock is that it benefits from a strong economy, and if industries are performing well, then Pure Industrial will stand to benefit as well.

The company has a strong balance sheet with a current ratio of over 1.5 and debt just 0.66 times equity. In a high interest rate environment, a minimal amount of debt will help ensure that Pure Industrial does not get burdened with high interest expenses.

The company's income statement has been just as strong as its balance sheet. Revenue has consistently been growing, and in three years, sales have increased by 72%. The company also shows no signs of slowing down as revenues continued to rise 22% in the most recent quarter. Pure Industrial has also averaged a strong operating margin of 67% in the past five quarters, which has helped the company to maintain a strong bottom line.

With a price-to-earnings multiple of about 6.5, the stock is a good value and provides you with a terrific dividend of ~4.9% which is paid in monthly installments.

New Flyer Industries Inc. (TSX:NFI) is a bus manufacturer with operations across North America and a leading company in the industry. As populations grow the demand for transit rises, with that comes a need for more buses. Technological innovation over the years has not adversely impacted the industry, and that stability is what makes New Flyer a strong investment over the long term.

New Flyer also has a strong balance sheet with a current ratio of 1.76 and a manageable debt-to-equity ratio of 0.70 in its most recent quarter. The company's income statement has also been very strong with revenues having grown 162% in just four years. However, the bottom line has seen an even more significant improvement with net income of just $9 million in 2012 rising to $125 million in the past fiscal year.

The stock is trading a little high at 16 times its earnings and 3.8 times its book value. However, given the growth the company has achieved, the premium is justified. In addition, as New Flyer continues to grow its bottom line, the earnings multiple will decrease as a result.

The long-term stability of the company helps set the stock apart from other investments, and with a dividend yielding 2.6%, you get a modest reward for being patient.

Year to date, the share price has increased 22%, and in five years it has grown 544%. This is a typical buy-and-forget investment, since in the short term, the stock might have a bit more downside than it will over the long term.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NFI (NFI Group)

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