2 Stocks to Buy and Hold for the Next Decade

Description

Planning for retirement is a long-term game. Conventional wisdom has dictated that we should have a balanced portfolio comprising of fixed income securities (bonds) as well as an equity component for growth. While this wisdom still stands true, the low interest rate environment that we are currently in has made investors look increasingly to equities in order to achieve for more meaningful yields and better returns.

Here I will talk about two stocks that you should consider as buy and hold stocks for the next decade at least. These are companies with staying power for their individual positions within their respective industries, and both of their industries are defensive in nature.

Defensive stocks provide investors with more predictability, less volatility, and the comfort of knowing that their investment is somewhat sheltered from hard economic times.

Without further ado, let’s take a look at these two buy and hold stocks.

Metro Inc.

Metro Inc. (TSX:MRU) is a leading food and pharmacy retailer in Canada, with more than 600 food stores and more than 650 drugstores backing this $13.6 billion company. This stock offers investors exposure to a long-term winning business, one that should be alive and well and thriving over the next decade. And Metro’s management has been taking steps to ensure this.

Food retailers have had a rough few years amid an increasingly competitive landscape, with discounting, new entrants like WalMart and Costco, and the pressures of responding to a changing retail environment that’s witnessing the emergence of online shopping.

In response, Metro has been upgrading its stores, relentlessly cutting costs, and even entering the higher growth “ethnic” foods business in response to large immigrant populations in communities across Canada.

But that's not all. Metro has also recently jumped deeper into the pharmacy business with its 2017 $4.5 billion acquisition of The Jean Coutu Group, which catapulted the company into a higher growth business with strong long-term growth trends and stability. Jean Coutu accounted for almost 20% of revenue in the latest quarter.

Finally, Metro's dividend continues to grow, and as the annual dividend continues to rise, we can see that this company's 20-year dividend paying history is something we can rely on. The dividend was increased by 16% in 2017 to $0.65 per share, by 10.8% in 2018, and by 11% in 2019, to the current $0.80 per share at writing.

Alimentation Couche-Tard Inc.

Alimentation Couche-Tard Inc. (TSX:ATD.B) is an incredibly successful growth story with a network of 10,000 stores globally. The stock provides investors with exposure to a successful convenience store and fuel retailer with a history of growing profitably, both organically and via acquisitions. This is another defensive stock that's a prime candidate to buy and hold for the next decade at least.

Strong cash flows is one of the key characteristics of the company's business model, as is demonstrated by the company's free cash flow generation (excluding acquisitions) of approximately $3 billion in the last three years, its 8.6% five-year compound annual growth rate in operating cash flow, and its ability to increase its dividend by a 29% compound annual growth rate since 2011.

In its own words, Alimentation Couche-Tard sells time and convenience, which helps make this stock a good bet even in difficult economic times. Convenience store purchases are not big purchases, and they are made with the goal of saving time, so this is probably not the kind of spending that would differ much as a result of hard times.

Looking ahead, the company has more opportunities to achieve incremental synergies from its many prior acquisitions, and it will continue to benefit from global diversification and scale.

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