2 Stocks I Like for the Next Decade

Description

It's a good habit to invest in stocks (i.e., businesses) that you intend to hold for a long time. Over the next decade, I like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) in my diversified portfolio to provide a nice balance of income and growth.

The quality businesses offer an average yield of 4.3% and profitability growth potential of more than 6%. In other words, together, TD and Pembina offer long-term total returns potential of more than 10% per year!

Toronto-Dominion Bank

TD stock can serve as an excellent core holding for any portfolio. It provides a decent yield of about 3.9% and projects wonderful earnings growth of 7-10% per year over the medium term.

Since 2005, TD Bank has begun building a friendly franchise in the United States, such that it now generates about a third of its earnings in the higher-growth country.

The leading bank has large scale, serving more than 25 million worldwide customers, including 13.1 million digital customers and 8.4 million mobile users. It has total assets of about $1.4 trillion and total deposits of approximately $870 billion.

TD Bank's recent net margins were the highest among its big bank peers, as management keeps a close eye on costs. For example, from fiscal 2015 to 2018, the business's selling, general, and administrative expenses have declined by 3.1% to 42% of revenue.

With a below-industry-average payout ratio of about 43%, TD stock's dividend is safe and can grow by about 8-10% per year. In summary, TD is a great business managed by excellent people.

Pembina Pipeline

Pembina Pipeline has delivered market-beating total returns in the past 10 and 15 years. In the past decade, Pembina stock delivered annualized total returns of 15%! In part, it has to do with its consistent dividend, which is currently good for a yield of 4.8%.

What's more to like is that the energy infrastructure company's payout ratio has declined significantly over the years from nearly 100% of cash flow in 2002 to about 56% today. This suggests that Pembina's monthly dividend is much safer than it was before.

A near-term opportunity is Pembina's acquisition of **Kinder Morgan Canada** and the U.S. portion of the Cochin Pipeline system for about $4.35 billion. Other than Cochin, Pembina will also acquire the Edmonton storage and terminal business and Vancouver Wharves, a bulk storage and export/import business, which, altogether, further vertically integrates the company along the value chain and enhances access to global markets.

If all goes well, the acquisition will be slightly accretive to Pembina's adjusted cash flow and improve its cash flow quality. As a testament to management's confidence, upon closing the transaction, Pembina will increase the dividend by 5%.

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1. Editor's Choice

TICKERS GLOBAL

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:PPL (Pembina Pipeline Corporation)

4. TSX:TD (The Toronto-Dominion Bank)

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