2 Beaten-Down TSX Stocks to Buy and Hold for Decades

Description

The broader markets have bounced back sharply in the last couple of months. However, not all TSX stocks are trading in the green so far this year. Few Canadian stocks continue to trade low, despite strong fundamentals, and have the potential to generate strong returns.

Here are my top two TSX stocks that are trading low and have strong long-term growth potential.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) stock has shown recovery in the recent past, yet it is down about 13% so far this year. Oil price crash took a significant toll on its stock. Despite the industry-wide weakness, Enbridge stock is a solid long-term investment.

Enbridge's business is relatively stable, thanks to its diversified revenue streams. In the most recent quarter, Enbridge topped analysts' EPS estimate and posted an impressive set of numbers. While volume declines in the mainline could affect its top line, its renewable power, gas distribution and storage, and gas transmission businesses are likely to support its revenues.

Lower mainline volumes could affect Enbridge's adjusted EBITDA in the short term. However, investors should note that Enbridge's 2020 adjusted EBITDA is primarily backed by businesses that aren't likely to witness much of disruptions from the COVID-19 pandemic.

With the gradual reopening of the economy, Enbridge's mainline volumes are likely to show recovery, which provides a strong base for future upside in its stock. Besides the improvement in volumes, Enbridge will continue to benefit from its diversified businesses that are anchored by the contractual framework.

Along with capital appreciation, investment in Enbridge stock will result in steady passive income. Enbridge is a Dividend Aristocrat with a strong history of consistently raising its payouts. Enbridge's dividends have grown at 10% annually in the last three years. Currently, Enbridge offers a dividend yield of 7.2%, which is safe and highly attractive.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is another casualty of the oil price crash. The stock of this pipeline company is still down about 28% so far this year, reflecting negative investor sentiments on the oil industry. However, Pembina's underlying business remains strong, providing an underpinning for long-term growth.

The decline in demand and low oil prices aren't a favourable operating environment for Pembina. However, Pembina's business has very little direct commodity exposure, thanks to its investments in developing highly contracted businesses. Further, its strategic acquisitions have added resilient cash flow streams.

Pembina's highly contracted base business supports steady cash flow generation. Over 90% of its adjusted EBITDA is derived from long-term, fee-based contracts. Investors should note that about 68-72% of Pembina's long-term contracts have no volume or price risks.

Pembina's resilient business and stable cash flows allow it to boost investors' returns through higher payouts. Pembina's dividends have increased at a CAGR of 6.5% in the past five years. The decline in Pembina stock has driven its yield higher. Pembina stock offers a dividend yield of 7.2%, which is safe. Pembina's payouts are backed by businesses that do not have any direct commodity exposure. The company's strong, fee-based, distributable cash flows are more than enough to meet its future payouts, making it an attractive long-term investment option.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

Tags

1. Editor's Choice

Date
2025/08/24
Date Created
2020/06/02
Author
snahata