How to Beat the TSX: 2 Value Stocks to Buy and Hold for the Next 30 Years

Description

If you want to beat the **TSX Index** sustainably over the long term, you need to go against the grain by backing up the truck on out-of-favour businesses that nobody wants at any given instance.

Value investing is more about scooping up dipped stocks with low P/E ratios, though. As Warren Buffett once said, you need to consider both the price you'll pay for what you'll get. The Oracle believes that "it's far better to buy a wonderful company at a fair price than a fair business at a wonderful price."

This piece will have a look at three TSX value stocks in the former category. I view each stock as a compelling bargain that can help you increase your chances of putting the broader TSX Index to shame over the next year, the next decade, the next 30 years, and beyond.

Quebecor: A lesser-known telecom that can beat the TSX

Quebecor (TSX:QBR.B) is a Quebec-based telecom company that's formed a moat around its home province. The company behind Vidéotron is a "Steady Eddie," with an operating cash flow stream that stands to be minimally impacted by the coronavirus pandemic relative to most other firms out there.

Unlike the Big Three telecoms, Quebecor has done an exceptional job of maintaining high operating performance numbers. The company's ROIC numbers have on a steady uptrend over the years, with an impressive 11.5% ROIC posted over the trailing 12 months. As next-gen telecom tech is rolled out, Quebecor is in a spot to see its ROIC improve even further, despite intensifying competition in the broader Canadian telecom scene.

In the meantime, Quebecor will be rolling with the punches brought forth by the coronavirus-plagued market. The stock trades at 6.8 times book and 7.3 times EV/EBITDA, both of which are lower than that of the stock's five-year historical average multiples of 10.8 and 8.2, respectively. With a 0.25 five-year beta, Quebecor is a great way to keep volatility in check for your portfolio, as you look to outperform in the coming recession.

Great-West Lifeco: A financial dividend heavyweight

Great-West Lifeco (TSX:GWO) took a beating amid the coronavirus crash. The stock plunged over 43% and has yet to recover even a third of the ground lost since February. The Canadian insurers have been under a considerable amount of pressure, and Great-West was not spared in the slightest.

While the Canadian-weighted financial firm is likely to continue to feel substantial pressure in this recession, I think it makes sense to step in here while the stock is trading at the cheapest valuations since the depths of the Financial Crisis. The stock trades 1.08 times book and is a must-own for long-term thinkers enticed by the thought of having their cake (a huge dividend) and eating it too (outsized capital gains in the event of an upside correction).

The dividend yields a whopping 7.4% and is the most bountiful of the Canadian lifecos. While the dividend will fall under due pressure the longer this pandemic lasts, I think it's well covered, with a 76.3% payout ratio. Moreover, the company has a strong capital position with nearly $1 billion in cash that should be more than enough to weather the COVID-19 storm.

CATEGORY

1. Coronavirus
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2. TSX:QBR.B (Quebecor Inc.)

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