



Looking to Invest? Here Are 2 Stocks You Should Buy and Hold Forever

Description

Two stocks to buy and hold forever

When investing in stocks, it's a good idea to take a calculated risk by identifying quality stocks and diversifying your portfolio for different financing needs. You should at least have one growth stock that can build your wealth and one dividend stock that can take care of your living expenses.

Constellation Software

Constellation Software ([TSX:CSU](#)) is a low-risk growth stock that is resilient to the pandemic. What makes it resilient is its diversified portfolio of 260 companies, 125,000 plus customer base, and a reach to over 100 niche markets worldwide. Moreover, it earns 66% of its revenue from public sector customers, which are resilient to an economic crisis.

The company built such a diversified portfolio by acquiring small companies that offer mission-critical software to niche verticals. It targets companies that have limited competition and high cash flows. It has a retention rate of 90% as its software is critical to the business and finding an alternative is expensive and time-consuming.

These acquisitions brought new contracts, thereby increasing Constellation's recurring revenue from maintenance contracts. The company increased its revenue 10-fold from \$330 million in 2008 to \$3.5 billion in 2019. As the company's size increased, its revenue growth slowed from 30% in 2009 to 14% in 2019, but it is still growing by the double digits.

While acquisitions increase revenue, they also increase leverage. Constellation uses a standalone financing model, in which its six operating subsidiaries raise funds for the purchase. This protects the parent from high leverage. It has over \$900 million in liquidity, which will help to withstand the crisis and undertake acquisition opportunities. It is acquiring Netherlands-based Topicus.com that could increase its revenue by €100 million.

Constellation's growth rate will slow in the next 10 years, but it will significantly increase your wealth. It is a low-risk stock that can outperform the market. Last year, it rose 33%, outperforming the **TSX Composite Index**, which fell 5%. This year, the stock surged 16.5%.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a stock that can give you regular incremental income every quarter in the form of dividends. The company has the largest pipeline infrastructure in North America. It transmits around 25% of the crude oil produced in North America and about 20% of the natural gas consumed in the U.S. The cash flows it earns from this transmission is more or less stable, with some volatility coming from energy demand.

Enbridge uses this cash to build new pipelines and earn more cash in the future. It distributes the remaining to shareholders as dividends. Hence, it has been able to pay regular dividends for the last 25 years, and even increase it at a CAGR of 11%.

As pipelines are expensive to build and maintain, the industry has limited competition. And as Enbridge has the largest pipeline infrastructure in the region, it has pricing power.

The pandemic grounded planes and closed factories, which reduced the demand for oil and natural gas. Hence, Enbridge's revenue fell by 40% in the second quarter and its stock price by 20%, thereby inflating its dividend yield to 7.6%. The company has increased its liquidity to \$13.2 billion to continue building pipelines and paying dividends. You can lock a high dividend yield for a lifetime before the stock price increases with a recovery in oil demand.

What can you get from these two stocks?

On one side, you can build your wealth in Tax-Free Savings Account (TFSA) with Constellation; \$10,000 invested in January 2010 would now be \$382,000.

On the other hand, you can start your passive income in RRSP with Enbridge. If you invest \$26,500 in Enbridge now, you would earn \$2,000 annually in dividend income that could grow to \$3,000 by 2025.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:ENB (Enbridge Inc.)

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