3 TSX Stocks to Hold for the Next 20 Years

Description

The COVID-19 pandemic continues to wreak havoc on our lives, and fears of the second wave of infections are making Canadians nervous. There is a chance for lockdown restrictions to be re-imposed, which might result in a spike in unemployment rates. It is hard to plan out the next six months, so looking for investments to buy and hold for the next two decades might seem crazy.

However, you need to take a long-term view when it comes to investing in equities. Right now, you can also find great companies trading at a lower valuation due to the ongoing volatility coupled with a sluggish macro-environment.

We'll look at three stocks that can help grow your wealth multifold and that you should buy and hold for the next 20 years.

An e-commerce giant

The first stock on my list is **Shopify** (TSX:SHOP)(NYSE:SHOP), Canada's largest company in terms of market cap. Shopify stock has crushed market returns ever since it went public in May 2015 and is well poised to outperform broader markets in the upcoming decade and more.

Shopify claims to be the second-largest e-commerce platform in North America after **Amazon**. It has returned over 150% in 2020 at a time when traditional retail companies have had to shut shop.

Shopify now has over a million merchants on its platform, and the change in consumer shopping behaviour is expected to drive sales for the company in the next two decades. Shopify's merchant base rose 71% on a sequential basis while revenue was up 97% year over year in Q2.

Further, e-commerce still accounts for just 16% of total retail sales in the U.S., and this figure is considerably lower in other emerging economies.

A renewable energy company

Another company that is part of a rapidly expanding market is **TransAlta Renewables** (TSX:RNW). The stock has returned 63% in the last five years and has a forward yield of 5.3%. This renewable energy giant increased adjusted EBITDA in Q2 by 3.6% year over year to $115 million, while funds from operations were up 12.5% at $90 million.

RNW also generated $71 million from operating activities, indicating year-over-year growth of 36%, and it ended the quarter with $498 million in liquidity. The company's focus on EBITDA and cash flow growth has helped the firm increase dividends at an annual rate of 4% since 2013.

TransAlta pays dividends of $0.07833 a month, or $0.90 per share per year. It owns and operates 13 hydro facilities, 19 wind farms, and one natural gas plant in Canada with a total electricity-generating capacity of 2,555 MW. These assets as well as the company's focus on expansion will help TransAlta generate a stable stream of cash flows and support dividend growth.

A diversified energy player

Another dividend-paying giant that should generate massive wealth over the next two decades is **TC Energy** (TSX:TRP)(NYSE:TRP). In the second quarter, TC Energy's EBITDA fell 5.4% to $2.2 billion in what was one of the worst quarters for energy companies.

Its funds from operations fell 7%, while cash flow per share was down 8.3% in Q2. This meant its dividend-payout ratio rose to 49% up from 42% in the prior-year period. Despite the ongoing turbulence in oil, TC Energy has one of the top financial profiles among pipeline stocks due to its investment-grade balance sheet and sustainable payout ratio.

The company has a forward yield of 5.7% and expects to increase dividends by 8-10% in 2021 and at an annual rate of 5-7% post-2021. About 92% of its earnings are backed by long-term contracts, which means another crash in oil prices will not hurt the energy giant's financials.

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2. NYSE:TRP (Tc Energy)
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4. TSX:SHOP (Shopify Inc.)
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