2 Iconic Canadian Stocks to Buy and Hold for 10 Years

Description

We're long-term investors here at the Motley Fool Canada. This piece will have a look at two solid Canadian stocks that I'd be willing to bet will crush the S&P 500 and TSX Index over the next 10 years. Each name is attractively valued today, with a moat that's wide enough to defend its share of economic profits for at least the next decade.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) is a defensive growth stock that doesn't nearly get the amount of respect it deserves. The convenience store kingpin is still in the early innings of its growth story. With a fragmented global market to spread its wings across, I suspect Couche can sustain high double-digit top-line growth. Moreover, recent margin-enhancing initiatives (the fresh-food rollout) could cause a sustained boost in operating margins. With both revenues and margins in a spot to continue roaring higher over the medium term, Couche could be in for an unfathomable magnitude of earnings growth for years, if not decades, to come.

You've probably heard the importance of a strong management team when going on the hunt for companies to invest in. I believe the competence of management is that much more important for firms that have the urge to merge. Management has a proven track record of extracting value out of every deal it makes, acquisitions, dispositions, or asset swaps. The company has been relatively quiet in recent years, but with a cash hoard that's continuing to swell, I think it's just a matter of time before the company gets wheeling and dealing once again.

Couche has the ambitious goal of doubling net income in five years. And in 10 years, who knows what's possible, as the firm looks to expand into the high-ROIC Australasian market. In any case, ATD.B stock is ridiculously cheap at just shy of 14 times earnings.

Scotiabank

I'm a huge fan of the Canadian banks in 2021, internationally focused **Scotiabank** (TSX:BNS)(NYSE:BNS

) in particular. The Big Six banks were battered and bruised last year. But as the focus moves from damage control and provisioning for credit losses to EPS growth, I think the banks may be in a spot to be re-valued upwards in a big way.

In an era of rock-bottom interest rates, net interest margins are undoubtedly thinning. If worse comes to worst with this pandemic, we may even fall into a negative interest rate environment, which is uncharted territory for Canada's top financial institutions. While worrying for bank investors, I think Scotiabank and its peers will always find a way to make money, one way or another.

What entices me about Scotiabank over its peers is that it grants Canadian investors exposure to the growthy emerging markets, which will likely have far more room to run over the next 10 years than that of the domestic market.

As you may know, greater rewards potential comes with greater risk, and we found that out last year, as the emerging markets were in a world of pain as a result of the COVID-19 crisis. As the tables turn and it's time to recovery, Scotiabank, I believe, could make up for lost time. The stock is overly punished and could be in for new highs in 2021. While BNS isn't as cheap as it was for most of 2020, shares remain modestly undervalued, making them ripe for buying, both for the 5.3% yield and long-term capital appreciation.

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