2 Great Canadian Stocks to Buy Now and Hold Forever

Description

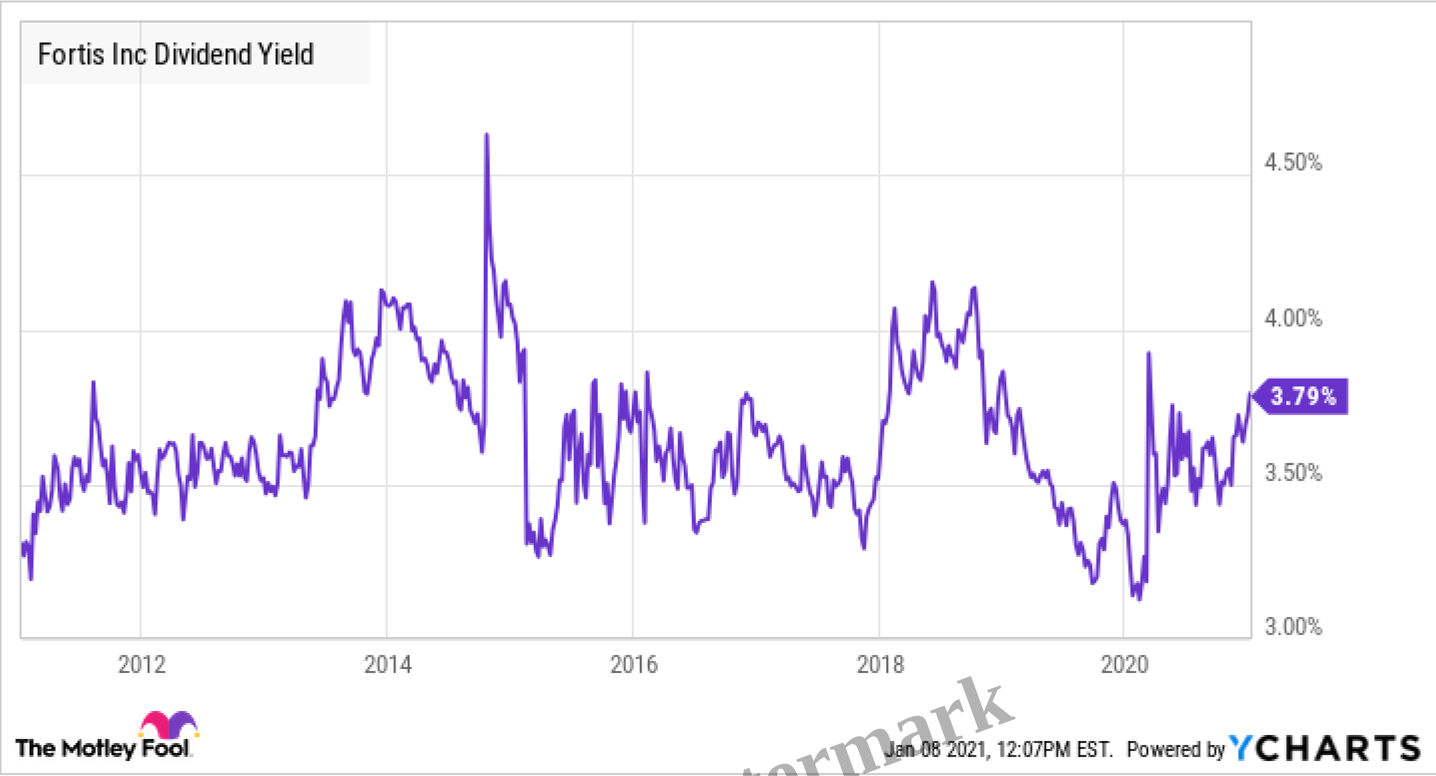
Here are two great Canadian stocks that are good buys now. They're wonderful businesses for holding forever.

Let's take a closer look.

Fortis stock

Fortis (TSX:FTS)(NYSE:FTS) stock is a great stabilizer for a diversified portfolio. The stock has declined about 6% in the last 12 months. Essentially, it has been in consolidation mode for about one and half years.

As a regulated electric and gas utility, Fortis's earnings are very stable and predictable. Any time Fortis stock yields 4% or greater, the stock is relatively attractive. This is shown in the 10-year yield history chart below. It's yielding close to 4% today!



FTS Dividend Yield data by YCharts. A chart showing Fortis stock's 10-year dividend yield history.

Fortis stock has increased its dividend for more than 40 years. It's like clockwork. It has a 2021-2025 $19.6 billion capital plan that will help drive a rate base growth and dividend growth of approximately 6% per year.

This means that assuming no valuation expansion, an investment today can deliver total returns of about 10% per year based on a 4% dividend and a 6% growth rate.

The good news is that the stock is discounted. Analysts have a 12-month average price target of $59.50 per share, which suggests near-term upside potential of 16%.

Alimentation Couche-Tard stock

At first glance, **Alimentation Couche-Tard** (TSX:ATD.B) stock is unexciting. It only yields 0.82%. However, a closer look at its dividend-growth history should quickly attract your attention. Its 10-year, five-year, and three-year dividend growth rates are 26.7%, 24.1%, and 15.4%, respectively. So, in the last three years, it has been growing its dividend three times faster than Fortis stock.

Couche-Tard is a convenience store consolidator with more than 14,000 stores in its network across 26 countries and territories. It has been generating very stable and growing earnings with high returns on equity.

Its revenue diversification is 71% from merchandise and service and 27% from fuel. Approximately 65% of its transactions are convenience only and 10% is a mix of convenience and fuel. It therefore doesn't rely on people refuelling their cars. So investors need not be concerned about the work-athome crowd, especially, during this pandemic.

Going forward, Couche-tard will need to invest more in converting its fuel stations for EVs. That's one of the reasons why the stock has been consolidating since Q2 2019. It's been experimenting in its lab in Norway, where the EV trend is way ahead than other countries.

Management still sees tonnes of growth coming from M&A opportunities and organic growth. Couche-Tard's leverage ratio is at its lowest level in the past 16 years. So, it's only a matter of time before it makes a bang with a big acquisition. It's highly possible for the stock to double within five years on growth of roughly 15% a year on average.

The Foolish takeaway

Both Fortis and Alimentation Couche-Tard are excellent buy-and-hold stocks. They generate highly stable and persistently growing earnings in the long run. Their stocks have below-average beta.

They also provide increasing dividends. Fortis stock offers a 4% yield for starters, which is excellent for current income. This income is set to grow at a rate that doubles inflation. Couche-Tard has a puny yield but its dividend growth will at least double that of Fortis.

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