2 Top Canadian Stocks to Buy and Hold Forever

Description

Canadian investors are always on the lookout for stocks that have the potential to generate consistent returns. When you invest in the stock market, it is advisable to take a long-term view and benefit from compounded gains. So, it means you should identify companies that can increase revenue and earnings across economic cycles.

It makes sense to identify blue-chip, dividend-paying stocks for your portfolio. Companies that pay dividends typically generate a steady stream of cash flows, allowing them to distribute a portion of it to investors.

Further, if you hold dividend stocks in a TFSA (Tax-Free Savings Account), you don't have to pay a single dollar to the Canada Revenue Agency when you withdraw your capital gains or dividends.

We'll take a look at two blue-chip stocks on the TSX that should be a part of your portfolio today.

Fortis

One of Canada's largest utility companies, **Fortis** (TSX:FTS)(NYSE:FTS) is also a Dividend Aristocrat. Fortis has increased its dividends for 47 consecutive years showcasing its recession-proof business model. Its forward yield stands at 3.7%, and the company forecasts it will increase dividend payouts at an annual rate of 6% through 2025.

Valued at a market cap of $25.6 billion, Fortis is forecast to increase sales by 7.2% to $9.58 billion in 2021 and by 4.9% to $10 billion in 2022. Analysts also expect it to expand earnings 7.8% to $2.77 per share in 2021 and by 6.5% to $2.95 per share in 2022. It means Fortis stock is trading at a forward price-to-sales multiple of 2.67 and a price-to-earnings multiple of 19.9, which might look steep for a utility company.

However, Bay Street views the stock as undervalued and has a 12-month price target of $60, which is 9% higher than the current trading price. After accounting for its dividend yield, total returns will be closer to 13%.

Fortis expects to increase its rate base from $30.5 billion in 2020 to over $40 billion in 2025, allowing it to increase cash flows and support future dividend increases.

Algonquin Power & Utilities

Another dividend-paying stock on the TSX that you can consider right now is **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), which has a forward yield of a tasty 4.5%. AQN derives two-thirds of its revenue from rate-regulated electric, gas, and water utility businesses, and the rest comes from renewable energy generation.

In the last decade, Algonquin has increased its dividends at an annual rate of 10%. Further, in the next five years, the company expects to grow its adjusted earnings between 8% and 10% on an annual basis. It also plans to invest $9.4 billion in capital projects, of which $3.1 billion will be deployed in its renewable energy segment.

These capital investments should increase cash flows and drive profit margins higher in the upcoming years, making AQN the perfect dividend-growth stock on the TSX today.

Valued at a market cap of $11.34 billion, AQN is forecast to increase sales by 29.6% to $2.17 billion in 2021 and by 13.9% to $2.48 billion in 2022. Analysts also expect it to expand earnings by 10% to $0.70 per share in 2021 and by 16% to $0.81 per share in 2022. It means AQN stock is trading at a forward price-to-sales multiple of 5.22 and a price-to-earnings multiple of 26.5, which is higher than Fortis. But Algonquin is also increasing its income and profit margins at a higher pace and demands a higher valuation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/09/11
Date Created
2021/05/29
Author
araghunath