2 Smart Stocks to Buy Now and Hold Forever

Description

Investing in the equity markets is a long-term game. You need to identify companies that are fundamentally strong, market leaders with wide economic moats, and that are part of an expanding market. These stocks should outpace the broader markets consistently, allowing investors to derive inflation-beating returns.

Here, we'll look at two TSX stocks that operate in different industries but should be on your buying radar right now.

Shopify

Canada's largest company in terms of market cap, **Shopify** (TSX:SHOP)(NYSE:SHOP) has already returned 5,300% to investors since its IPO in early 2015. So, a $1,000 investment in Shopify stock just after its IPO would be worth close to $55,000 today. The recent market volatility has meant SHOP stock is also down 18% from all-time highs, allowing you to buy the dip.

Shopify provides e-commerce tools and solutions that allow merchants to sell their products via online channels. It ended Q2 with more than 1.7 million businesses on its platform. Shopify also processes payments, fulfills orders, and offers marketing solutions to its merchant base.

The COVID-19 pandemic acted as a tailwind for Shopify that saw its revenue increase by 86% year over year in 2020. Wall Street now expects sales to rise by 58.3% to US$4.64 billion in 2021 and by 34% to US$6.22 billion in 2022. Comparatively, its adjusted earnings per share are estimated to grow from US$3.98 in 2020 to US$6.6 in 2022.

Shopify's sales in the last 12 months have increased to US$3.9 billion, up from US$853.6 million in the same period in 2018, indicating an annual growth of 65%. Its free cash flow has improved to US$507 million compared to a negative figure of US$31.5 million in this period.

Shopify also has a robust balance sheet and ended Q2 with almost $8 billion in cash and short-term investments, compared to its debt of $910 million. Its liquidity position allows Shopify to easily weather economic recessions without having to raise debt or equity capital. It also provides the company with the financial flexibility to deploy capital for acquisitions and other growth initiatives.

Shopify stock is trading at a premium and might be vulnerable if markets turn bearish. However, every correction in its stock price should be viewed as a buying opportunity for investors.

Emera

While Shopify is a high-flying growth stock, **Emera** (TSX:EMA) is a company for the more conservative investor. In the last 10 years, the stock is up 175% after adjusting for dividends. Comparatively, the TSX has gained just 141% in this period. Despite impressive gains, Emera offers investors a tasty forward yield of 4.4%.

Emera is an energy and services company that is engaged in the generation, transmission, and distribution of electricity. Part of the recession-proof utility sector, Emera's cash flows are regulated, enabling it to deliver steady returns to investors.

It is a domestic giant with over $30 billion in assets and a customer base of over 2.5 million across Canada, the U.S., and the Caribbean. Emera aims to deploy $7.4 billion in capital expenditures between 2021 and 2023, allowing it to grow its rate base between 7.5% and 8.5% in the next three years. This will allow Emera to increase dividends between 4% and 5% through 2023.

CATEGORY

1. Investing
2. Tech Stocks

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2. TSX:EMA (Emera Incorporated)
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