2 TSX Stocks That Could Grow Your Portfolio Over the Next Decade

Description

While many stocks can grow stably over time, my focus in this article is on stocks that could provide *exceptional* growth. The two **TSX** stocks that I'm about to discuss should also give a kicker from valuation expansion given their undervalued shares in today's environment. Without further ado, here they are.

No-brainer buy: Brookfield Asset Management

Over more than a century since **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) was founded, the company has tremendously transformed and expanded. Its roots go as far back as 1899, but it wasn't until the 1970s that it shifted its investment focus to real estate, financial services, hydroelectric power, and industrial investments.

In other words, BAM started owning and operating businesses before it began managing assets for others. Providing asset management for third parties did not become material until the late 1990s.

Despite the 25% decline in the stock from its 52-week high, the growth stock has delivered impressive five-year returns of 13% per year. As a value investor, BAM will do very well deploying capital in today's environment where a recession is expected to occur.

In the first quarter reported in May, Nick Goodman, Brookfield CFO, stated,

> "Financial results … were very strong, and thanks to our extensive global holdings of inflation-protected cash-generating assets, our results are accelerating in the current macro environment. Distributable earnings were $1.2 billion, supported by growth in our asset management franchise and strong underlying performance across our businesses. Fundraising momentum remains strong, with fee-bearing capital standing at $379 billion at the end of the first quarter. We also expect material fund closes in the second quarter and balance of 2022."

BAM targets a 12-15% annualized return on its investments for the long haul. It's the best time to back up the truck on the growth stock in a market correction such as the one we're experiencing for incredible long-term returns.

Given its long history of wealth creation, I would embrace both stocks after the company spins off its asset management business later this year. Besides, the company will initially hold 75% of the asset management business.

goeasy is also an undervalued growth stock

A similar scenario stands for investors interested in **goeasy** (TSX:GSY). As Canada's leading non-prime lender, the growth stock has been in a downward trend since peaking in September 2021. It's an incredible buying opportunity to pick up the TSX stock at levels of about 50% lower from its 52-week high. Despite the drop, the growth stock has delivered incredible five-year returns of 32% per year.

Specifically, at $104.50 per share, goeasy trades at about 9.5 times earnings, a meaningful discount of approximately 22% from its long-term normal valuation. In the past five years, the company increased its earnings per share (EPS) by 34% per year. Even making a super conservative assumption of a 10% EPS growth rate over the next five years, the stock still trades at a very reasonable valuation today.

Investors will also like that the dividend stock pays a competitive yield of close to 3.5%. Its dividend growth is even more impressive than its price appreciation. Specifically, in the past five years, it raised its dividend by 39% per year — essentially 5.3 times the dividend from the start of the period.

goeasy just invested $40 million as a minority stake in Canada Drives, the country's largest 100% online car shopping and to-your-door delivery platform. LendCare, goeasy's automotive and point-of-sale financing brand, will then become a preferred non-bank financing provider within Canada Drives's online automotive retail platform, which can help boost goeasy's next leg of growth.

I'd accumulate shares of both TSX stocks for growth over the next decade and beyond!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:GSY (goeasy Ltd.)

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