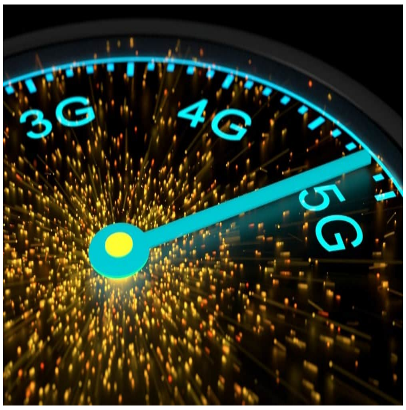

2 Value Stocks to Buy and Hold for Years

Description

The concerns over rising interest rates, higher inflation, and geopolitical tensions have made investors nervous, raising the volatility in the equity markets. Besides, the occurrence of long-term yields falling below short-term yields, known as yield curve inversion, has raised the concern of a recession. Yield curve inversion indicates a weakening long-term outlook. An inverted yield curve has preceded every recession in the United States since 1956.

In the high-interest rate environment, value stocks tend to outperform growth stocks, as higher borrowing costs could lower the margins of growth stocks. So, in this challenging environment, investors should look to strengthen their portfolios with value stocks. Here are my two top value stocks that you can buy and hold for the next five years.

BCE

Amid the recent weakness in the broader equity markets, **BCE** (TSX:BCE)(NYSE:BCE) has lost 14.7% of its stock value compared to its April highs. The pullback has dragged its price-to-earnings multiple for the next 12 months down to 18.6, lower than its peer, **Telus**. Meanwhile, the usage of telecommunication services is rising amid digitization and remote working, driving the demand for BCE's services.

In an addressable market with strong double-digit growth forecasts, BCE is aggressively expanding its 5G and broadband services to increase its customer base. The company's management expects to provide 5G service to 80% of Canadians by the end of this year while adding 900,000 new broadband connections. These growth initiatives could drive its financials in the coming years. Despite the more challenging economic environment, BCE has not budged on its 2022 outlook of adjusted EBITDA growth of 2%–5%. The company's financial position looks healthy, with free cash flow growth of 2%–10% forecast for 2022, while its liquidity is at $2.8 billion as of March 31.

BCE has rewarded its shareholders by raising its dividends by over 5% for the last 14 years. With a quarterly dividend of $0.92/share, its dividend yield for the next 12 months stands at 5.83%. So, an investor would earn $5.83 in dividends for an investment of $100 in BCE. Given its high dividend yield, attractive valuation, and healthy growth prospects, I believe BCE would be an excellent buy right now.

Cargojet

Cargojet (TSX:CJT) is a cargo airline company that transports around 90% of Canada's overnight air cargo. With the expectation of deacceleration in e-commerce growth due to the easing of pandemic-related restrictions and weakness in the broader equity markets, the company has lost 36% of its stock value compared to its 52-week highs. The steep correction has dragged its price-to-earnings for the next 12 months down to 19.9, lower than its historical average.

Meanwhile, the growth in adoption of online shopping has increased the demand for air cargo services. Given its high market share and high entry barrier due to the capital-intensive nature of the business, Cargojet is well-positioned to benefit from the market expansion. To meet demand growth, the company plans to add 13 aircraft over the next 30 months, increasing its fleet to 45 by the end of 2024. It is also opening new routes, which will help it meet high demand growth in global air cargo, which contributed to revenue growth of 45.7 percent in Q1 2022 over the year-ago period.

Notably, the company's long-term agreements, with minimum volume guaranteed and inflation-indexed automatic annual price increases, provide stability to its financials. Additionally, it is currently paying a quarterly dividend of $0.2860, with its yield for the next 12 months at 0.84%. So, given its growth prospects and cheaper valuation, I expect Cargojet to outperform over the next five years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:CJT (Cargojet Inc.)

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