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

Description

While market corrections cause extreme pain to an investor's portfolio, it also presents a great opportunity to buy fundamentally strong stocks at bargain prices. Smart investors hunt for companies that have sound financials and that provide opportunities for capital appreciation over the long term.

Ideally, you want to invest in stocks that will weather storms without having to worry about their stability. Here are two stocks that you can buy and hold for the next decade.

goeasy

goeasy (TSX:GSY) is a non-prime lender in Canada. Its easyfinancial segment, earning maximum revenue, offers customers loans and lease options to buy furniture, electronics, appliances and computers.

The stock has lost almost 40% in 2022, but it has still offered market-beating returns to its shareholders. Over the last five years, the stock has grown at a CAGR (compounded annual growth rate) of 30.62%.

Right now, the stock is down due to fears of rising interest rates and red-hot inflation. However, goeasy reported a record level of Q1 loan growth and the second-largest quarter of organic growth in the company's history when it announced earnings for the March quarter.

Loan originations came in at $477 million, up 75% compared to the $272 million in the year-ago period. Operating income for Q1 stood at $80 million, up 25% from $63.9 million in Q1 of 2021.

GSY stock is currently priced at $107.62, and the average analyst target for it is $200.78 — a potential upside of over 86%. The stock also pays a dividend of 3.38% making it very attractive to income seeking investors.

goeasy is among the few stocks that offers investors the opportunity to benefit from a steady stream of dividend income and long-term capital gains. In the last 10 years, goeasy stock is up 1,600%. After adjusting for dividends, total returns are closer to 2,100%.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) was founded in 1864. A decade is a drop in the bucket for the Canadian banking heavyweight. It is a financial services giant, with a market cap of over $173 billion. Royal Bank of Canada serves more than 17 million customers and is a blue-chip stock on the TSX.

Its revenue streams include personal and commercial banking, wealth management, insurance, investor and treasury services, and capital markets. It also has a diversified revenue base, with 60% of its revenue coming from Canada, 24% from the U.S., and the rest from its international operations.

The bank offers investors a forward dividend yield of 4.14%. The board raised its dividend by 11% in fiscal 2021 and then again by 7% after the second quarter of fiscal 2022. In all, the bank returned $3.6 billion to shareholders in Q2 through dividends and share buybacks. Clearly, Royal Bank of Canada is comfortable with its liquidity position in a challenging environment.

Rising inflation and a potential recession could cause the bank’s business to slow down, but it is more than likely that Royal Bank of Canada will reinvest its excess capital to drive future growth. It could also acquire a lot of financial services business at a discount, diversifying its revenue base in the process.

RY stock is down 10% year to date and is trading at a discount of 21% given consensus price target estimates.

CATEGORY

1. Dividend Stocks
2. Investing

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