Got $500? 2 Stocks to Buy and Hold for at Least 5 Years

Description

After witnessing a solid recovery over the last two months, the Canadian equity markets have turned volatile this month, with the **S&P/TSX Composite Index** losing around 2.3%. The falling oil prices and investors' nervousness ahead of another rate hike by the Bank of Canada have dragged the index down. Meanwhile, investors with a longer investment horizon could ignore these short-term fluctuations and go long on quality stocks. Meanwhile, here are my two top picks, with the potential to deliver superior returns over the next five years.

Telus

Telecommunications services have become critical in this digitally connected world, thus expanding the addressable market for telecommunication companies. The advent of 5G has created long-term growth potential for these companies. So, I have picked **Telus** (TSX:T) as my first choice. Amid the growing demand, the company has accelerated its capital investment to expand its broadband and 5G infrastructure. By the end of the September-ending quarter, the company's 5G service covered around 80% of the Canadian population.

Supported by these initiatives, Telus added 347,000 new customers in the recently reported third-quarter while growing its revenue and adjusted EBITDA (earnings before interest, tax, depreciation, and amortization) by 10% and 11%, respectively. It also generated free cash flows of $331 million, representing impressive growth of 63% from the previous year's quarter.

Telus's high-growth verticals, Telus International, Telus Health, and Telus Agriculture & Consumer Goods, have maintained their growth amid solid organic growth and acquisitions. Telus Health had four million virtual healthcare members at the end of the quarter, representing a 1.7 million increase over the last 12 months. It acquired Lifeworks in September, thus expanding its global reach and strengthening its position in the telehealthcare sector. So, the company's growth prospects look healthy.

BCE trades at an attractive NTM (next 12-month) price-to-earnings multiple of 18.3 while paying its dividend at a healthy yield of 4.9%. So, considering all these factors, I am bullish on Telus.

goeasy

goeasy (TSX:GSY) would be another excellent stock to add to your portfolio, given its excellent track record and high-growth prospects. Since 2001, the company has grown its top line and adjusted EPS (earnings per share) at a CAGR (compound annual growth rate) of 12.8% and 24.9%, respectively. Despite the challenging environment, the company has maintained its growth this year, with its revenue and adjusted EPS growing by 26% and 11%, respectively.

Meanwhile, I expect goeasy's growth to continue in the coming years. The subprime lending market is highly fragmented, thus offering the company an excellent opportunity to expand its market share. Meanwhile, the company is strengthening its distribution network, improving customer experiences with technology adoption, and adding new business verticals to drive its growth.

The company's management hopes to grow its loan portfolio to $4 billion by the end of 2025, representing a growth of 54% from its current levels. The expansion could drive its top line while improving its operating margins at an average of 100 basis points per year. So, the company's outlook looks healthy, despite rising interest rates.

goeasy has enhanced its shareholders' returns by raising its dividends for eight consecutive years, with its forward yield currently at 3.18%. Also, it trades at a cheaper valuation, with its NTM price-to-earnings multiple standing at 8.6, making it an excellent long-term bet.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:TD (The Toronto-Dominion Bank)

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