Should Value Investors Buy Copper Stocks — or This Gold Miner With a Huge Dividend?

Description

Mining stocks have never been out of fashion for long, and in today's economy they make a lot of sense. Expensive consumables from phones to electric cars are heavily reliant on metals and mined minerals, as these items become increasingly essential to our lives. The stocks such as the two listed below are going to become more and more desirable.

While cobalt and lithium have been obvious choices for mining stock lovers looking for upside of late, safer long-term plays might be gold and copper. Here, then, are two decently-valued stocks trading on the TSX that will give investors looking to diversify into metals exposure to both.

Centamin (TSX:CEE)

Today's pick of the gold stocks on the TSX is Centamin. This high-quality mining stock is trading at a discount of 18% versus its future cash flow value. Its fundamentals look great, with a market-beating P/E ratio of 11.5 times earnings, a good PEG valuation of 1.2 times growth, and a respectable P/B of 1.2 times book. In short, this a huge value opportunity for gold stock lovers.

In terms of outlook, Centamin is looking at a 9.3% expected annual growth in earnings. Zero debt and a dividend yield of 8.3% go towards a precious metal miner that deserves a closer look by both value and passive income investors alike. And yes, if you just did a double-take, that's a +8% payout if you buy at today's price.

Lundin Mining (TSX:LUN)

Gold stocks are good to have when things are looking precarious; but then again, you may want to go for a copper play. Copper is going to be a big deal in years to come, with the growing electric vehicles market likely to be very dependent on the orange metal. Lundin Mining is a great choice here because while it gives exposure primarily to copper, it also mines nickel and zinc.

Discounted by 33% compared to its future cash flow value, Lundin Mining is looking sweet on market ratios, with a P/E of 8.7 times earnings, and PEG of 0.4 times growth, while in terms of a P/B ratio, value investors will be happy to know that Lundin Mining is trading at book value at the moment.

A 20.9% expected annual growth in earnings is a great thing to see in a value stock, as it means that investors aren't getting trapped in a worthless investment that is just going to depreciate. On the contrary, Lundin Mining is likely to reward its shareholders over the next few years, as this projected earnings analysis shows.

Return on equity of 12% last year is not significantly high, but isn't so bad for a mining stock, and shows a fairly good, if not totally efficient, use of shareholders' investments. A low level of debt at around just 10% also helps reassure investors who are focused on balance sheets. Dividend investors should take note of a small but cheerful yield of 1.84% at today's share price.

The bottom line

Lundin Mining is a great quality stock that definitely deserves more air-time. It has great multiples, gives exposure to seriously desirable metals, and is nicely diversified in terms of geography, with operations in Chile, the U.S., Portugal, and Sweden. Pair it with Centamin for a miniature mining portfolio if you're light on materials or add to an already well-developed array of Canadian miners.

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