



Bargain Alert: 2 Cheap Stocks for RRSP Investors in 2021

Description

RRSP season is just around the corner. Where should self-directed investors put their [retirement](#) funds in 2021?

Is TransAlta stock a good buy for RRSP investors?

TransAlta ([TSX: TA](#))([NYSE:TAC](#)) is power utility based in Alberta. The stock had a rough run over most of the past decade as falling electricity prices, high debt, and negative investor sentiment toward coal-fired power generation all combined to impact the company. TransAlta went from \$37 per share in 2008 to \$4 in early 2016.

RRSP investors who had the courage to buy at the low are already sitting on nice gains and more upside should be on the way. TransAlta's debt is now under control and power prices are on the rise. The company is also four years ahead of schedule on its program to convert the coal plants to natural gas.

Value investors say the stock is a great deal. TransAlta owns 60% of **TransAlta Renewables** ([TSX:RNW](#)), so it has significant green-energy assets. At the time of writing the RNW stake is worth about \$3.6 billion, but TransAlta's market cap is just \$3 billion.

TransAlta raised the [dividend](#) by 6% in 2020 and more increases should be on the way, supported by higher free cash flow.

The stock appears cheap at \$10.75 per share. A surge to \$20 wouldn't be a surprise in the next year if a takeover bid emerges.

Why Power Corporation stock has big upside potential

Power Corp ([TSX:POW](#)) is a holding company with assets primarily focused on the Canadian insurance and wealth management industries. A quick look at the [organizational chart](#) that makes up

the assets shows some interesting growth opportunities for RRSP investors.

Power Corp owns 100% of Power Financial, which it took private last year. Power Financial owns majority interests in **Great-West Lifeco** and **IGM Financial**.

Through the various subsidiaries, Power Corp also controls a 70% equity interest in fintech firm Wealthsimple. This is one to watch as Wealthsimple's implied valuation hit \$1.4 billion after its recent fundraising round.

In addition, Power Corp owns a 44% interest in the Lion Electric Company, a maker of electric commercial vehicles. Power Corp's Power Sustainable Capital will control about 31% of Lion Electric when it goes public on the **NYSE** through a recently announced SPAC merger. Assuming Lion Electric holds its implied market capitalization of US\$1.9 billion, Power Corp's stake is roughly US\$590 million, or about CAD \$750 million.

So, the Wealthsimple and Lion Electric positions are valued at nearly \$1.75 billion. It wouldn't be a surprise to see this double or triple in the next couple of years.

Power Corp has a total market capitalization of just under \$19 billion at the time of writing. It's 67% ownership of GWO is worth about that much, so you effectively get all the other bits for free.

Power Corp trades near \$30 per share and the dividend provides a 6% yield. RRSP investors get paid well even if the stock price doesn't move. That said, the stock could easily hit \$40 if the Lion Electric stake soars on the NYSE or if Wealthsimple goes public and attracts a much higher valuation.

The bottom line on RRSP investing

While the market is short on deals right now, TransAlta and Power Corp look cheap and could deliver big gains for RRPS investors in the next few years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:POW (Power Corporation of Canada)
3. TSX:RNW (TransAlta Renewables)
4. TSX:TA (TransAlta Corporation)

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