



## 2 Cheap TSX Stocks I'd Buy Now and Hold Forever

### Description

Canadian investors constantly search for cheap **TSX** stocks that have the potential to deliver significant long-term gains. The stock market rally in recent months wiped out most of the deals, but some top TSX stocks still look like bargains.

### Why Fortis is a cheap TSX stock to buy now

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) might not be the most exciting stock to put in your portfolio, but the reliability of its cash flow and its history of dividend growth make up for the lack of media attention.

The company owns utility businesses that include power generation, electric transmission, and natural gas distribution. More than \$50 billion in assets generate steady revenue streams in all economic conditions. Fortis grows through strategic acquisitions and internal development projects.

The current \$19.6 billion capital program should boost the rate base from \$30 billion in 2020 to \$40 billion in 2025. Small projects make up 85% of the investments and nearly all are regulated assets. Fortis benefits from low interest rates. The company plans to finance 33% of the capital program using debt. Cheap borrowing costs free up more cash to return to shareholders.

In the [Q4 2020](#) earnings report Fortis said adjusted profits came in at \$0.69 per share compared to \$0.62 in the same period last year, so the business is navigating the pandemic in good shape.

The stock looks cheap near the current price of \$50 per share. Fortis traded as high as \$59 in the past year. Investors who buy now can pick up a 4% dividend yield. The board intends to raise the dividend by 6% per year over the next four years. Fortis increased the payout in each of the past 47 years, so the guidance should be reliable.

### Why Barrick Gold stock should be on your buy list

Barrick Gold ([TSX:ABX](#))([NYSE:GOLD](#)) underwent a transformation in recent years that is a perfect

example of how a turnaround plan should play out. The mining giant got itself into trouble more than a decade ago making expensive acquisitions fuelled by debt. As gold prices plunged, the stock tanked from \$54 per share in 2011 to below \$9 in 2015.

Since then, management sold off non-core assets and streamlined the business to focus on high-return mines that will drive strong free cash flow. Net debt is now zero compared to US\$13.4 billion in 2013. Barrick Gold has tripled its [dividend](#) since 2018 and recently advised investors that it intends to pay out US\$750 million in a special return of capital in 2021. That's about US\$0.42 per share.

Gold trades near US\$1,800 at the time of writing. While this is down from the 2020 peak around US\$2,080, it's still high enough for Barrick Gold to generate significant free cash flow. In the [Q4 2020 report](#) Barrick Gold said full-year 2020 all-in sustaining costs were US\$967 per ounce. Gold production for 2021 is expected to be 4.4-4.7 million ounces.

The company owns five of the top 10 gold mines on the planet.

Barrick Gold also operates copper mines. Copper recently hit a nine-year high above US\$4 per pound. Global stimulus efforts designed to drive a strong economic recovery could push copper demand even higher in the next two or three years.

Barrick trades near \$25 per share compared to the 2020 high around \$40. The recent sell-off might be attributed to investors dumping gold stocks in favour of Bitcoin. The trend could quickly reverse course.

The long-term prospects for high gold prices should be positive. Negative bond yields on trillions of dollars of government debt and a global race to devalue currencies should be positive for gold demand.

## The bottom line

Fortis and Barrick Gold have strong management teams and valuable assets that should drive growth for years. Both companies continue to raise their dividends and the stocks appear oversold.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:FTS (Fortis Inc.)
3. TSX:ABX (Barrick Mining)
4. TSX:FTS (Fortis Inc.)

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