2 Cheap Stocks With Big Upside Potential in 2021

Description

The **TSX Index** appears expensive today after a huge rally off the 2020 market crash, but savvy investors can still find decent value in a number of top stocks.

Dye and Durham could see strong upside in 2021

Dye and Durham (TSX:DND) is a provider of cloud-based technology solutions and software targeted at legal firms, financial institutions, and government organizations. The products connect to government registry data providing efficient access to public records.

Law firms use the products to streamline tasks including new business registrations, liens registrations, litigation workflow, and daily operations of the overall practice.

Dye and Durham reported a 96% increase in revenue and EBITDA the last quarterly report. The company is growing through acquisitions in Canada, the Unite Kingdom and Australia.

Dye and Durham went public last summer and has enjoyed a nice rally, soaring from around $15 to as high as $53 in February. At the time of writing investors can buy the shares for close to $40.

The growth potential is significant as the legal world transitions from moving papers around to using digital solutions.

Why Barrick Gold looks cheap today

Barrick Gold (TSX:ABX) (NYSE:GOLD) went from net debt of US$13 billion a few years ago to having zero net debt at the end of 2020. The turnaround of the mining giant has been more successful than many analysts thought was possible.

Rising gold prices certainly helped as Barrick found buyers for non-core assets and now generates truckloads of free cash flow. In fact, Barrick Gold reported record annual free cash flow of US$3.4

billion in 2020.

The company continues to raise the dividend and announced a special US$750 million return of capital this year that works out to about US$0.42 per share. When you add that to the annualized dividend of US$0.36 per share the total payout this year provides a 3% yield on the current stock price near $26 per share.

The price of gold slipped from US$2,080 last August around US$1,740 today. Barrick Gold's share price followed the decline. The stock traded at $40 during the peak of the 2020 rally. Part of the gold slide is due to rising bond yields. Gold become less attractive when the opportunity cost of owning no-yield gold increases. The bond rally might be a bit overheated.

Another theory suggests gold investors are moving funds to cryptocurrencies. That's probably true in some cases, but the trend could reverse quickly during the next crypto rout. The call for the end of gold as a safe-haven investment is likely premature.

At current gold prices Barrick still stands to generate strong margins and substantial free cash flow. In addition, the company's copper operations, which are not as well known, should also have a great year.

The stock appears undervalued right now and it wouldn't be a surprise to see gold bounce again in the third quarter of 2021.

The bottom line on cheap stocks

Volatility should be expected but Dye and Durham and Barrick Gold appear attractively priced right now and could deliver strong gains through the end of 2021.

If you have some cash on the sidelines, these stocks deserve to be on your radar.

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