2 Cheap Stocks to Buy Now for 2022

Description

The **TSX Index** has had a nice run this year, and many stocks are trading at lofty multiples. Certain sectors, however, have underperformed, and some top TSX stocks even appear undervalued today.

Let's take a look at two contrarian stocks to buy for your portfolio heading into 2022.

Barrick Gold

Barrick Gold (TSX:ABX)(NYSE:GOLD) is a giant in the global gold mining industry with five of the top 10 mines on the planet and another in development that will join the club.

The company orchestrated a successful turnaround in recent years. At one point, Barrick Gold risked being buried by US$13 billion in debt. Rising gold prices, sales of non-core assets, and streamlining of the corporate structure enabled management to clean up the balance sheet. In fact, Barrick Gold reached zero net debt in 2021.

Gold prices are off the 2020 high of roughly US$2,080 per ounce to the current price of around US$1,750. That's still a very profitable price for Barrick Gold. The company reported Q2 2021 all-in sustaining costs of just under US$1,100 per ounce.

Barrick Gold is also a major producer of copper. The price of copper soared from US$2 per pound to above US$4.75 earlier this year. The base metal currently trades near US$4.30 per pound. Barrick Gold's Q2 all-in sustaining costs for copper came in at U$2.74 per pound, so the copper business is making good money as well.

Barrick is investing in resource growth, even as much of the industry is simply drawing down reserves. New property positions are located in Egypt, Guyana, Japan, Senegal, and Tanzania.

Barrick Gold's shares trade near $23 on the TSX Index compared to $40 at 2020 highs. Some downside would be expected due to the dip in the price of gold, but the selloff appears overdone.

The company pays a quarterly dividend of US$0.09 per share. The board has tripled the payout over the past three years, and another generous hike is likely on the way for 2022. In addition, Barrick Gold announced a US$750 million special return of capital for 2021. This works out to US$0.42 per share. So, the annualized yield of the US$0.78 in payments this year is about 4.2% at the current share price.

Suncor

Suncor (TSX:SU)(NYSE:SU) upset shareholders last year when it slashed the dividend by 55% to preserve cash during the pandemic. The move seemed prudent at the time, as oil futures briefly turned negative and fuel demand dried up due to travel restrictions and work-from-home mandates.

Suncor's share price fell from $44 before the pandemic to $15 last fall when West Texas Intermediate (WTI) oil was below US$36 per barrel. The 2021 rebound in oil prices has resulted in a gusher of cash flow for Suncor, yet its share price recovery still trails its peers.

Suncor trades near $29 at the time of writing, so it still has a long way to go to regain the early 2020 valuation. Several other large Canadian oil producers are at new multi-year highs.

The removal of travel bans and the slow return to offices in the coming months should be positive for Suncor's refining and retail businesses. The company is using extra cash to pay down debt and buy back shares in 2021. A large dividend increase should be on the way in 2022.

The bottom line on cheap stocks

Buying unloved stocks takes courage, but the rewards can be significant when sentiment shifts. Barrick Gold and Suncor look undervalued right now and could deliver big gains in 2022.

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