2 Cheap TSX Stocks to Buy in December

Description

The recent pullback in the **TSX Index** is giving investors a chance to buy some top-quality Canadian stocks at undervalued prices.

Teck Resources

Teck Resources (TSX:TECK.B)(NYSE:TECK) produces coal used to make steel, copper, and zinc. It is also a partner in the Fort Hills oil sands facility in Alberta.

Teck made headlines in September when the company indicated it was exploring the possibility of selling its coal business to focus on primarily being a base metals producer. Analysts think a sale or IPO could value the metallurgical coal unit as high as $8 billion.

If a deal emerges at this value or higher, Teck's share price could soar. The company would have a war chest of funds to build out its copper portfolio and potentially make acquisitions. In addition, investors could receive a special dividend.

Unloading the coal business would also help Teck with its ESG profile and potentially attract new investors to the stock. In October, Teck converted its US$4 billion credit facility to incorporate sustainability-linked terms. As of the end of October the company had no funds drawn on the credit line.

Coal, copper, and zinc prices have soared to very profitable levels for Teck. The company reported strong Q3 2021 results. Adjusted EBITDA came in at a record $2.1 billion, more than three times the level in Q3 2020.

Teck is two-thirds of the way through the construction of its QB2 copper project in Chile. Production is expected to begin in the back half of 2022. The timing is good for Teck, as copper prices remain high, and demand is expected to be robust in the coming years. Wind turbines, solar panels, and electric vehicles all require significant amounts of copper in their production.

Teck trades near $32.50 per share at the time of writing compared to the 2021 high around $37. The outlook should be positive for the company over the next few years.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $50 per share and offers a 6.7% dividend yield. The stock is down from the 2021 high around $54, giving investors an opportunity to buy the shares on a decent pullback.

Enbridge reported Q3 2021 adjusted EBITDA of $3.3 billion compared to $3 billion in 2020. Adjusted earnings came in at $1.2 billion, up 20% from the same period last year. Management reaffirmed the 2021 full-year guidance for distributable cash flow (DCF) of $4.70 to $5.00 per share.

Enbridge saw strong results from all four of its key operating groups. Throughput rebounded on the oil pipelines and revenue in the division should grow in 2022 with increased fuel demand and the recent completion of the Line 3 Replacement Project.

The natural gas transmission and natural gas utility businesses continue to perform well and provide reliable and predictable cash flow. The utility will add 45,000 new customers in 2021, and that will drive revenue growth into next year.

Enbridge's renewable energy portfolio continues to grow. Construction is underway on three offshore wind projects in Europe, and four solar projects are being built in North America.

Enbridge will outline its three-year capital plan and 2022 financial guidance on December 7. Investors should see a dividend increase of 3-5% announced for 2022.

The bottom line on cheap stocks to buy in December

Teck Resources and Enbridge are leaders in their industries. The stocks appear oversold right now and could deliver big gains in 2022. If you have some cash to put to work, these stocks deserve to be on your radar.

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