



2 Cheap TSX Stocks to Buy Right Now

Description

Low-priced stocks are not necessarily mediocre investments. For example, **Doman Building Materials** ([TSX:DBM](#)) and **Rogers Sugar** ([TSX:RSI](#)) are relatively cheap compared with more popular names. However, if you're chasing higher [income streams](#), both dividend stocks are attractive choices.

The share prices are [less than \\$10](#) but the average dividend yield is 6.625%. A \$15,000 position in each will produce a combined total of \$993.75 in passive income. Also, by reinvesting the dividends, the capital will compound to \$56,978.59 in [10 years](#).

Seasonal business

Vancouver-based Doman is one of the largest producers of pressure-treated lumber products in North America. The \$631 million company has 32 operating plants, and its division, CanWel Building Materials, is a fully vertically integrated national distributor of building materials and related products.

Besides CanWel Building Materials, Doman operates vertically-integrated forest products company CanWel Fibre. Lignum Forest Products, a specialty wholesaler and distributor of premium lumber products, is also part of Doman's group. Doman's treating and distribution divisions in the U.S. include Hixson Lumber (Texas), Cascade (California), and Honsador Building Products Group (Hawaii).

In Q3 2021, the company reported a 32.4% increase in total sales versus Q3 2020, although gross margins declined 7.03%. While expenses ballooned 56.3% year over year, Doman's net earnings dropped 75.32% to \$7.65 million. However, in the nine months ended September 30, 2021, revenue and net earnings grew 56.9% and 112.9% compared to the same period in 2020.

One thing to note about Doman is the seasonality of the business. Sales are subject to seasonal variances or fluctuation during the normal building season. Also, the pricing volatility of construction materials affect sales and profitability. Generally, sales are higher in the second and third quarters.

So, expect a timing difference between free cash flow and dividend payments. Management levels the dividends so that shareholders receive regular income streams. Performance-wise, the year-to-date

gain is 4.85%. The current share price is 7.64%, while the dividend yield is a hefty 7.31%.

Returning to profitable sales mix

Rogers Sugar is a consumer staple stock, and therefore, the business is enduring. Seldom will you see wild price fluctuations and usually the stock trades between \$5 and \$6 per share. As of December 24, 2021, the share price is \$6.06, or a 13.27% year-to-date gain. The dividend yield is a lucrative 5.94%.

In fiscal 2021, revenue and net earnings growth versus fiscal 2020 were 3.85% and 34.19%, respectively. While sugar volume increased 2.42% year over year, maple syrup volume declined 1.74%. Rogers Sugar president and CEO Mike Walton said, "We are pleased with the results achieved in the fourth quarter in both of our business segments, as we met our volume targets with improved overall sales margins."

Walton adds, "Over the next year, we anticipate improved financial performance for both of our business segments, supported by normal operating conditions in Alberta and a return to a more traditional and profitable sales mix." The result should translate to more value creation for shareholders.

Second-liners

Doman Building Materials and Rogers Sugar are budget-friendly dividend stocks. Both are excellent second-liners to core stock holdings. However, would-be investors should look beyond the price and understand the inherent risks. But if I were to choose, I'd pick the consumer staple stock because sugar is more stable than building materials.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DBM (Doman Building Materials Group Ltd.)
2. TSX:RSI (Rogers Sugar Inc.)

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