



2 Cheap Canadian Stocks to Buy in January 2021

Description

[TFSA and RRSP](#) investors are searching for top Canadian stocks that could deliver big gains in 2022 for their self-directed portfolios.

TransAlta

TransAlta ([TSX:TA](#))([NYSE:TAC](#)) is a power producer based in Alberta. The company recently completed its transition from coal to natural gas in its Alberta fleet of power-generation facilities. The company is several years ahead of its original plan to convert its coal plants to natural gas. TransAlta entered an agreement with Alberta government in 2016 that provides TransAlta with about \$37.4 million annually through 2030 to assist with the process. TransAlta completed the program nine years ahead of the government target.

The company also recently announced an agreement for the sale of 100% of its power production from the new 300 MW White Rock wind project in Oklahoma.

TransAlta delivered strong Q3 2021 results and the Q4 numbers should be robust. The company reported comparable EBITDA of \$381 million in the quarter, up 49% from the same period in 2020. Free cash flow jumped to \$189 million from \$106 million year over year.

Management raised guidance for the year with 2021 comparable EBITDA expected to be \$1.2-1.3 billion versus previous expectations of \$1.1-1.2 billion.

High Alberta power prices drove the bulk of the gains. The average realized Alberta spot price is expected to be about \$100 per MWh for 2021, up from an earlier mid-range estimate of \$90.

Alberta's power prices rose through November and December, and the recent blast of record-low temperatures could translate into a big Q4 2021.

TransAlta has done a good job of cleaning up the balance sheet in recent years and is on track to generate strong free cash flow in 2022 and beyond. The stock trades near \$14 at the time of writing. It

wouldn't be a surprise to see TransAlta hit \$20 per share by the end of the year.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) trades near \$33 per share at the time of writing compared to \$44 before the pandemic. The stock appears undervalued right now given the strength of the oil market and the strong rebound in fuel demand that occurred through the second half of 2021.

WTI oil is now back above US\$77 per barrel, and analysts are starting to renew calls for a run to US\$100 in the next couple of years. Strong demand is expected, as the global economy recovers from the pandemic, and global producers might have a tough time boosting supply to meet the demand growth. Investment cuts to exploration and development around the globe in the past two years could result in a supply squeeze at some point until new production hits the market.

Suncor's production, refining, and retail operations delivered strong Q3 2021 results. The Q4 numbers should also be strong and 2022 is shaping up to be another very profitable year for oil producers.

Suncor raised the dividend by 100% when the Q3 results came out, and investors could see another generous increase in the first half of 2022. Suncor is also buying back up to 7% of its stock under the current share-buyback plan.

Investors who buy Suncor stock now can pick up a solid 5% dividend yield.

The bottom line on cheap stocks to buy for 2022

TransAlta and Suncor appear cheap right now and could deliver big gains for TFSA and RRSP investors in 2022. If you have some cash to put to work, these stocks deserve to be on your radar.

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2. NYSE:TAC (TransAlta Corporation)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TA (TransAlta Corporation)

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Date

2025/08/14

Date Created

2022/01/04

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