2 Cheap TSX Stocks to Buy for a Self-Directed RRSP

Description

Canadian savers are searching for top TSX stocks to add to their self-directed RRSP. The overall market still looks expensive, but there are still some good stocks to buy for a retirement fund at undervalued prices.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) trades for close to $18 per share at the time of writing compared to more than $22.50 a year ago. The stocks slid through most of 2021, heavily underperforming the broader **TSX Index**. Although Algonquin Power has renewable energy assets, such as wind and solar facilities, that generate non-regulated revenue streams, a large part of its asset base is also regulated electric and water utilities.

The company is in the process of buying Kentucky Power for US$2.85 billion. The deal boosts the regulated customer base by 19% and adds significant electric transmission and distribution infrastructure. Algonquin Power announced a US$12.4 billion capital program through 2026 that is expected to drive revenue growth that will support average annual adjusted earnings gains of 7-9%.

The board raised the dividend by 10% per year over the past decade, so investors should see steady payout increases at least in line with earnings growth.

Algonquin Power currently provides a dividend yield of 4.8%. AQN stock appears undervalued and you get paid well to wait for the stock to rebound.

Kinross Gold

Kinross Gold (TSX:K)(NYSE:KGC) trades for less than $7 per share compared to the 12-month high of $10 and a 2020 peak of $13 per share when gold rallied to US$2,080 per ounce. The 46% drop in the share price of Kinross Gold looks overdone, considering gold is only down about 13% from the high it hit during the 2020 surge.

Kinross Gold reported strong Q3 2021 results, and the Q4 numbers should also be solid. The company likely hit its 2021 production target of 2.1 million ounces.

Kinross Gold generated US$38.9 million in free cash flow in Q3 and finished the quarter with US$586 million in cash and cash equivalents. Kinross Gold is using excess cash to buy back up to 5% of the outstanding stock under the current share-repurchase program and pays a quarterly dividend of US$0.03 per share. That’s good for a yield of about 2.2% right now.

Looking ahead, Kinross Gold expects production to jump to 2.7 million ounces in 2022 and 2.9 million ounces in 2023. Based on the current gold price, the stock already looks undervalued.

If gold catches a nice tailwind this year and takes a run back to US$2,000 Kinross Gold could potentially double from its current share price.

The stock can be volatile, so I wouldn’t back up the truck, but gold bulls might want to add Kinross Gold to their portfolios while the stock looks cheap and remains out of favour.

The bottom line on cheap stocks to buy for a self-directed RRSP

Algonquin Power and Kinross Gold look oversold at their current share prices and could deliver big gains for RRSP investors in the next couple of years. If you have some cash to put to work in your retirement fund and have a contrarian investing style, these stocks deserve to be on your radar.

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2. Metals and Mining Stocks

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2. NYSE:KGC (Kinross Gold Corporation)
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