



Solidify Your Portfolio With One of These Timber Stocks

Description

Timber stocks have become must-have investments because of the growing demand for timber and because they have increased in value at a greater rate than inflation, giving the stocks minimal risk and significant upside potential. With this in mind let's take a look at three of the top timber stocks that you should consider investing in today.

1. West Fraser Timber Co. Ltd.

West Fraser Timber Co. Ltd. (TSX:WFT) is one of the largest integrated wood products companies in North America. The company owns and operates 40 mills across Western Canada and the Southern United States, producing lumber, southern yellow pine, panels, pulp, newsprint, and wood chips.

At current levels West Fraser's stock trades at just 13.3 times fiscal 2015's estimated earnings per share of \$4.85 and only 10.1 times fiscal 2016's estimated earnings per share of \$6.43, both of which are very inexpensive compared with the industry average price-to-earnings multiple of 23.2.

In addition, West Fraser pays a quarterly dividend of \$0.07 per share, or \$0.28 per share annually, giving its stock a 0.4% yield at current levels. A 0.4% yield is not high by any means, but the company achieved earnings per share and revenue growth over 20% in the first quarter of fiscal 2015, so I think it could increase its dividend in the very near future.

2. Stella-Jones Inc.

Stella-Jones Inc. (TSX:SJ) is one of the leading producers of pressure-treated wood products in North America. The company operates 28 wood treating plants, 10 pole peeling facilities, and a coal tar distillery, producing railway ties, timbers, utility poles, wood for the construction of bridges, and coal tar-based products, among other things.

At today's levels Stella-Jones' stock trades at just 21.1 times fiscal 2015's estimated earnings per share of \$1.95 and only 18.3 times fiscal 2016's estimated earnings per share of \$2.24, both of which are inexpensive compared with the industry average price-to-earnings multiple of 23.2.

Additionally, Stella-Jones pays a quarterly dividend of \$0.08 per share, or \$0.32 per share annually, which gives its stock a 0.8% yield at current levels. The company has also increased its dividend for two consecutive years, and its consistent free cash flow could allow this streak to continue for the next several years.

3. Acadian Timber Corp.

Acadian Timber Corp. ([TSX:ADN](#)) is the second-largest timberland operator in New Brunswick and Maine. The company owns and manages approximately 1.1 million acres of freehold timberlands in New Brunswick and Maine, and it provides management services to approximately 1.3 million acres of Crown-licensed timberlands.

At current levels Acadian's stock trades at just 19.3 times fiscal 2015's estimated earnings per share of \$0.96 and only 17.8 times fiscal 2016's estimated earnings per share of \$1.04, both of which are inexpensive compared with the industry average price-to-earnings multiple of 23.2.

In addition, Acadian pays a quarterly dividend of \$0.225 per share, or \$0.90 per share annually, giving its stock a 4.85% yield at today's levels. It is also worth noting that the company increased its dividend by 9% in February as a result of increased free cash flow, and I think this could become an ongoing theme over the next several years.

Which timber stock should you buy today?

West Fraser Timber, Stella-Jones, and Acadian Timber represent three of the market's top investment opportunities in the wood products industry today. Foolish investors should take a closer look and strongly consider establishing long-term positions in one of them.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ADN (Acadian Timber Corp.)
2. TSX:WFG (West Fraser Timber Co. Ltd.)

Category

1. Investing
2. Stocks for Beginners

Date

2025/08/20

Date Created

2015/04/28

Author

jsolitro

default watermark