



## Worried About Softwood Lumber Investments? Try Hardwood Instead

### Description

The Canadian lumber industry has been in the news this year since the U.S. decided to levy tariffs on Canadian softwood exports. Even though these disputed decisions have typically gone Canada's way in the past at the World Trade Organization, some investors might shy away from softwood lumber distributors, such as **West Fraser Timber Co. Ltd.** (TSX:WFT). If you want to avoid softwood companies but still like timber, consider investing in a hardwood company instead.

**Hardwoods Distribution Inc.** (TSX:HWD) is a wholesale distributor of hardwood lumber, plywood, particleboard, and other specialty products. The company has eight locations in Canada and 17 in the U.S. In case you don't know the difference between the types of woods, hardwood generally comes from deciduous trees (the ones that lose their leaves), and softwood comes from coniferous trees (the ones with needles). Hardwood trees are usually (but not always) denser because they grow slower. The biggest difference between the two is their seed structure — but let's not get too far off course. Both types of lumber are used in building, but different projects require different types of wood.

### Hardwoods by the numbers

Hardwoods produces solid numbers. Net income grew by 42.90% year over year to \$0.45 per share last quarter. Over the last three years, revenue growth has averaged 28.59% annually, better than the industry average of 12.56%. In the same period, earnings have also averaged 16.88% growth annually, with the industry average only being 1.38%.

The company's profit margin could be higher than its current 3.06%. As a comparison, West Fraser's current profit margin is 9.53%. Hardwoods has one of the better return-on-investor-equity numbers in the industry, sitting at 14.66%. It also has a little long-term debt. This is a company with solid financials.

The stock is currently trading near its 52-week high of \$20.02 per share. Analysts expect the stock to trade around \$25 in the next year. If they are right, the stock has room to grow.

If you are interested in dividends, the company has a current dividend yield of 1.48%. It pays a quarterly dividend of \$0.073 per share for an annual dividend of \$0.292 per share.

## Bottom line

This is a solid company with good financials and cash flow. Hardwoods has produced steadily increasing numbers over the last few years. If you are looking for a commodity stock, Hardwoods Distribution Inc. deserves your attention.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:WFG (West Fraser Timber Co. Ltd.)

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## Category

1. Investing

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