



Meet the Cheapest Stock on the TSX

Description

In today's financial world, growth stocks get most of the attention. Investors eye the huge gains that can come from high-flying stocks, and the media rewards such stocks a disproportionate amount of coverage.

In this environment, it can seem like value investing has gone out of style. And yet it's worth noting that the wealthiest money manager of all time, Warren Buffett, is an adherent of that philosophy. According to finance professor George Athanassakos, value investors and value funds beat the market 60% of the time. This makes value investing one of the most successful investing philosophies — despite being comparatively unpopular today.

Enter **Cascades** ([TSX:CAS](#)). It's a little-known company that manufactures paper products like cardboard, toilet paper, and paper towels. While Cascades's products are popular with consumers, the stock is not so well known among investors. But it should be. As one of the lowest-priced stocks on the TSX, it has a valuation that would make Ben Graham salivate. I'm going to outline the case for the stock — starting with the valuation.

“Impossibly” cheap

Cascades stock is priced [extremely low](#) by several key metrics. It has an unbelievable trailing P/E ratio of 3.71 and PEG ratio of 0.33.

Discounts this deep tend to raise questions about the performance of the underlying company. But Cascades's financial performance is actually rather healthy. The company has a return on equity (ROE) of 29.33% — an extremely strong number. ROE is a favoured metric of many value investors, because it indicates that the company delivers solid profit per dollar of shareholder equity.

The company is also seeing solid revenue growth of about 9% year over year — although *net* income is down. In Q2 of 2018, the company posted record sales of \$1.17 billion.

Growing through acquisitions

To support future growth, Cascades has been pursuing aggressive acquisitions. In July, the company purchased a newsprint mill in Bear Island, Virginia, for \$34 million in cash. The intent of the acquisition was to reconfigure the newsprint paper machine on the site to produce high-quality recycled linerboard. In 2017, the company acquired a number of containerboard packaging plants in Ontario and increased its ownership stake in Greenpac Mill LLC. These and other acquisitions will help support the company's core operations and deliver value to shareholders.

An income play

One final thing bears mentioning:

Cascades stock pays a [small dividend](#) of \$0.16 per share. At the time of this writing, that gives a yield of 1.27%. While this is not the juiciest dividend you'll find, it's an attractive feature to have in a bargain stock. Value investors and dividend investors both tend to invest for the long term, and the presence of a dividend in a low-priced stock like this adds an extra incentive for "buy and hold" investors to buy up shares.

All in all, Cascades is a solid value stock for any long-term-minded investor — a worthy pick for your RRSP or TSFA.

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1. Dividend Stocks
2. Investing

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Date

2025/08/16

Date Created

2018/08/14

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