



## Which Materials Stock Has More Upside: Methanex (TSX:MX) or Norbord (TSX:OSB)?

### Description

If you're looking for a stable investment, with dividends to boot, you don't have to look any further than materials stocks. With a recession potentially on the horizon, these stocks are perfect to add to your portfolio to protect you from any economic downturn.

### Methanex

**Methanex** ([TSX:MX](#))(NYSE:MEOH) is the world's largest supplier of methanol, serving North America, the Asia Pacific, Europe, and South America. The stock has been on a [slow and steady increase](#), with a few jumps in the last few years. Most notably, it reached the \$90 range last summer before the slump in the fall but has since rebounded to nearly \$80 per share.

But the next 12 months could be a bit nerve-wracking for investors. Analysts are predicting shares to slump to as low as \$40 per share. This comes from the negative five-year average past earnings-growth rate for this stock, and its level of debt increasing compared to its net worth.

But the company is well protected through its operating cash flow, making analysts believe over the next three years there will be a shift, pushing the ROE to 28.2%. In the meantime, this stock is still performing well, with \$1.29 billion in earnings during the last quarter. And there's also a solid dividend of 2.32% to keep you happy while you wait for the rebound.

### Norbord

**Norbord** (TSX:OSB)(NYSE:OSB) is in a very different position than Methanex. Norbord produces oriented strand board, which is used for structural panels in building applications. It had its high days years back in 2004 when shares reached \$152.70 compared to now when they trade at around \$32 at the time of writing.

But since 2009, the stock has been on an upward trend, with a nice boost coming in 2015 when the

company acquired Ainsworth, adding 2.5 billion square feet of capacity to its artillery. And after a number of years of slowed construction, this company is due for another boost. After a strong 2018, the company should continue to have lower [EBITDA margins of \\$724 million](#) than previous years, and building should boom beyond 2019, putting this company back to work.

There's also a potential for further international expansion, as the company only has a toe in the European market accounting for only 20% of its earnings. This combined with peak demand for construction could bring this stock back to levels not seen in a decade.

That would be great news for shareholders, especially those who recently were hit by the dividend decrease. The stock now offers a 4.35% dividend at the time of writing, but should things change, that should jump right back up again.

## The upside

Between these two stocks, if you're a long-term investor, either will continue on an upward trend over the years. But for the immediate future, I would buy Methanex. This stock's historical performance proves it can slowly and steadily increase, even among some fairly daunting situations such as the last great recession. There isn't that worry that it will plummet to a third of its share price, as there is with Norbord.

Finally, the need for methanol will continue to increase over the next few years, setting this company up for a number of jumps. So, I would wait for the next dip and buy this stock on a low.

### CATEGORY

1. Investing

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