



1 Stock That Is Poised to Double This Summer

Description

An integrated forest products company may not be as popular as bank stocks, energy stocks, or tech stocks. However, **Canfor** ([TSX:CFP](#)) could be one of the [stock sensations of the season](#). The value of the stock has the potential to double this summer.

Wood over weed

The \$1.37 billion company operating in the lumber and wood industry is an even better option than weed stocks given the current [chaotic state of the cannabis industry](#). CFP has underperformed so far after two quarters and is down 33.45% year to date.

It would take a miracle to achieve the 52-week high of \$33.74, but the prospects of hitting the \$20 mark are plausible. Earnings have been growing at a slower pace, although the net income in 2018 of \$354.9 million is 1,336% better than the 2015 figures.

The record-breaking financial results last year was due to the high earnings delivered by the pulp and paper segment and the higher operating income of the lumber segment. The company overcame major challenges by log supply and increased log costs.

Severe transportation issues hampered deliveries during the in the first half of 2018. The company had to deal with extreme weather across North America as well as the worst forest fire season experienced in B.C. Further, there was significant market volatility.

But overall, Canfor reported \$606.6 million consolidated operating income, which was highest ever recorded in over 10 years. It's a 9% jump, or a \$51.2 million increase, from 2017. The lumberjack stock may be down today, but the company is not incurring huge losses like cannabis producers.

Strong balance sheet and growth prospects

Canfor has maintained a strong balance sheet position because of incisive funds management style

and disciplined approach to cash allocation. Progress is on a continuing basis, particularly in the southern U.S. This organic growth initiative is worth US\$125 million.

Various capital projects in three sawmills (Fulton, Moultrie, and Urbana) are nearing completion. Increasing production capacity is also a major concern. There is an agreement to acquire 100% of Elliot Sawmilling in South Carolina.

Canfor will also purchase 70% of Sweden's largest privately owned sawmill company. The VIDA Group has an annual production capacity of 1.1 billion board feet. In total, these key acquisitions will increase the forest company's lumber production capacity to 7.2 billion board feet.

The business strategy

Canfor's primary mission is to become the leading supplier of wood products to the building products business the world over. The company is targeting the markets in China and Japan as the launch pads. Higher-priced structural lumber and specialized products will also be offered to specific customer needs.

The market is very challenging, but the company is confident about the long-term prospects of the lumber and wood production industry. Canfor is resolute in transitioning to a top-quartile margin performer. Summer is the construction season, and this could be the start of the rebound.

This time last year, the stock was flying high at \$31.14, so my prediction of the \$11 price tag possibly doubling this summer is a reasonable estimate.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CFP (Canfor Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/14

Date Created

2019/07/09

Author

cliew

default watermark

default watermark