TFSA and RRSP Investors: Top Stock for November

Description

Rogers Sugar (TSX:RSI) and wholly owned subsidiary Lantic engage in refining, packaging, and marketing sugar and maple products. It offers granulated, plantation raw, brown, organic, icing, maple, stevia, smart sweetener blend, and coconut sugar, as well as syrups, jam and jelly mixes, iced tea mixes, and hot chocolate mixes.

The company sells products to industrial, consumer, and liquid product markets under the Lantic name in Eastern Canada and the Rogers name in Western Canada, the United States, and internationally. Rogers Sugar was incorporated in 1997, and its corporate headquarters is in Vancouver, British Columbia.

The company is somewhat inexpensive with a price-to-earnings ratio of 13.39, price-to-book ratio of 1.55, and market capitalization of 544 million. Debt is used, opportunistically, at Rogers Sugar, as evidenced by a debt-to-equity ratio of one. The company has excellent performance metrics with an operating margin of 9.45% and a return on equity of 11.91%.

The company acquired Decacer in 2018, which resulted in ownership of an excellent manufacturing facility that should allow the company to lower costs, improve overall product quality and support planned future growth. Recent results reported by the company have been disappointing. However, Rogers Sugar has made significant progress in sales and go-to market strategies, information technology platforms, and manufacturing optimization. The company believes that a new natural sweetener segment, once fully integrated and optimized, will deliver superior financial results.

Roger Sugar's core sugar business has navigated very volatile market conditions with large commodity swings, currency fluctuations and trade threats that brought both opportunities and risks. Volume sold grew 720,000 metric tonnes or increased by 3.6% year over year. The company is particularly focused on operational excellence, market access, and brand development.

Although the growth outlook for sugar is flat, the company is only undertaking investment projects with a high-return forecast that is expected to deliver bottom-line growth and absorb inflation. The company's operating budget is approximately $6 million of capital to support investments in solutions that lower energy costs, increase automation, and deliver new value-added manufacturing capabilities.

The company has re-designed a sugar decolourization system in Vancouver, automated palletizing operations in Taber, added a fully automated retail packing line in Toronto, and installed newer processing technology in Montreal. The company has complemented this capital spending with continuous investments in replacement of equipment that has reached the end of useful life.

The company expects recent trade agreements to provide a better environment for investment by food processors and opportunities for improved market access for Canadian beet sugar and sugar-containing products. The company's maple syrup portfolio offers it an excellent opportunity to expand sales globally. The company is focused on becoming a leading North American natural sweetener supplier by integrating operations and exploring techniques to strengthen the product offering and market development within North America through strategic partnerships or targeted acquisitions.

Overall, Rogers Sugar appears to a low-risk and high-reward opportunity for patient Canadian investors. The company also pays a huge dividend yield and has low beta compared to the Toronto Composite Index.

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