



Alert: This Dividend Stock (7% Yield) Soared 36% in the Last 7 Months (and It's Not Done Yet!)

Description

It's been a long time coming, but **KP Tissue** ([TSX:KPT](#)) stock has finally begun to pick up traction, with shares surging over 36% from their late-2019 lows, breaking the \$102 million market cap mark in the process.

The company behind Kruger Products, a Canadian tissue product supplier that produces, markets and distributes various paper products including toilet paper, facial tissues, paper towels, and napkins, among other paper necessities, is a compelling dividend play for deep value investors who are no strangers to volatility.

Indeed, KP is a ridiculously dull business, but as we've seen in the list of top performers over the last decade, sometimes boring is beautiful.

With a business model that's easy to understand, those seeking to give themselves a raise may want to initiate a position in the producer of necessities before the yield has a chance to contract below 5% in the event of continued share price appreciation.

The stock has sported a yield well north of the 7% mark amid the stocks multi-year plunge, but it's been a falling knife that's hurt many investors who've attempted to time the bottom of the market over the years.

With an out-sized 1.6 beta, KPT stock tends to amplify the moves made by the broader market, effectively making it tough to hold for retired investors who aren't interested in sitting on a roller-coaster ride to get a dividend that's not exactly the safest in the world!

As you may know, the demand for such products are poised to experience relatively stable demand over time. Despite favourable industry traits that would make a manufacturer of such items a [safety play](#), KP has fluctuated as though it were a producer of long-lived discretionary assets rather than necessities needed under any market environment.

The excessive volatility exhibited in the stock is due to the fluctuation in pulp prices, a significant input

cost for KP. In essence, KP's sensitivity to such a commodity price nullifies any potential stability in demand for its largely commoditized product.

Despite past volatility in pulp prices, management sees input costs stabilizing, as the firm looks to enjoy the fruit of incremental benefits from its operational excellent initiatives.

While it's tough to predict where the price of a commodity will head next (there are too many variables to predict where they'll head over the near-term), I am a fan of the continued operational efficiencies to be had and "intensifying" marketing programs, which should help KP gain a bit of an edge over its peers in the space.

But most important, I like the risk/reward at today's valuations.

At the time of writing, KPT stock trades at 1.26 times book and 15.9 times next year's expected earnings. The company is headed in the right direction, and although the payout has been a tad stretched, the company's trajectory that the odds of a dividend cut is falling substantially by the quarter.

If you consider yourself an aggressive income investor, KPT is a stock that could allow you to lock-in a [sizeable dividend](#) alongside significant capital gains, but be warned; you could be in for a wild ride as the name is still technically a small-cap!

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Author
joefrenette

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