



## Out of Toilet Paper? This Toiler Paper Stock Has More for Investors

### Description

While this is turning out to be one of the worst weeks for Canadian stocks in decades, this toilet paper stock has, in fact, surged approximately 15%. The \$1.2 billion **Cascades** ([TSX:CAS](#)) will likely be the beneficiary as coronavirus fears continue.

Many top **TSX** heavyweight stocks have tumbled to multi-year low levels this week. Interestingly, Cascades stock has continued to see upward momentum recently. The stock is close to its 52-week high at the moment. It is up almost 60% in the last 12 months alone.

### Toilet paper is the new currency

Kingsey Falls-based Cascades produces and sells tissue and packaging products composed mainly of recycled fiber. It is the fourth-largest toilet paper producer in North America.

As people are going crazy over toilet paper and hoarding it amid the virus fears, it could positively impact the company's topline. Notably, Cascades generated more than 30% of its total revenues from toilet paper in 2019.

The company has been consistently increasing its revenues and profits in the last few years. In 2019, it reported a net income of \$96 million, an increase of more than 20% YoY. Its 2018 bottom line growth was also substantial against 2017. Analysts expect fair earnings growth in 2020.

### Diversified paper and packaging business

This indicates that the company is doing great financially in the regular course of business. Now that demand for toilet paper has skyrocketed, Cascades may now enjoy the windfall gains. Interestingly, even when the virus epidemic will soothe and demand for toilet paper will normalize, the company will likely be well placed in the long term.

Cascades generates a large chunk of its sales from corrugated products in North America and coated

box boards in Europe. While the whole supply chain has broken globally and these industrial packaging segments could suffer, its improved toilet paper sales could compensate for the lost opportunities amid the pandemic.

In terms of valuation, Cascades stock is currently trading at a forward price-to-earnings valuation of 12 times. This appears to be a fairly cheap and indicates that the stock may have room to gain going forward. Also, its five-year historical valuation average comes around similar levels.

Peer toilet paper maker **KP Tissue** ([TSX:KPT](#)) stock has tumbled more than 25% since last month. It owns an equity investment in Kruger Products, [the leading toilet paper manufacturer](#) in Canada.

The stock is trading at a forward PE ratio of 13 times, which looks a tad expensive compared to Cascades, even after the selloff. KP Tissue stock has fallen 5% in the last 12 months, significantly underperforming CAS stock.

Cascades stock is currently trading at a dividend yield of 2.7%. In 2020, the company is expected to pay a dividend of \$0.32 per share. In comparison, KP Tissue yields a much higher 8.6%.

Cascades stock looks [an attractive investment](#) mainly due to its fair yield and a discounted valuation at the moment.

Also, it uses renewable energy sources and recycles products in manufacturing, making it among a very few socially responsible companies—a must for ESG (environmental, social, and governance) investors.

## CATEGORY

1. Coronavirus
2. Investing

## TICKERS GLOBAL

1. TSX:CAS (Cascades Inc.)

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