

Toilet Paper: Don't Hoard It, Hoard Their Stocks Instead!

Description

Is toilet paper becoming worth its weight in gold? With the stocks being cleared as panic buyers look to prepare for the coronavirus pandemic. It sure seems so. While it may seem like a good idea to hoard toilet paper along with everyone else, it's probably not a good idea since we're probably not on the cusp of a worldwide TP shortage, according to **KP Tissue** (TSX:KPT).

Moreover, the folks at KP are at full capacity and ready to deal with the spike in demand, and they're not going to be gouging prices either. So, if you're looking to panic-buy something, please don't hoard every last roll at your local grocer. Instead, buy the stocks of major Canadian toilet paper producers because their top product is selling like hotcakes.

"You're going to see it catch up in days and weeks." said Dino Bianco, CEO of Kruger Products. "We're essentially selling it at exactly the same price to all our customers. Ethically, we do not want to take advantage of a situation that is of great consumer and community need."

KP Tissue: A toilet paper dividend king with an 8.6% dividend yield

KP Tissue is a stock that I suggested investors should buy back in early February, noting that stabilizing pulp prices (a significant input cost) would bode well for the firm as it pursued operational efficiency improvement efforts.

I was also a fan of the valuation and the safe dividend, which hasn't swelled up amid the coronavirus crisis. It's partly because KPT is pandemic-resistant, but mostly because the stock had already suffered a massive fall from glory years prior.

The company normally enjoys a stable demand for its paper necessities. But over the last few weeks, as people hoarded toilet paper, we're bound to see a massive sales spike for KPT, which is doing its best to meet the demand in these times of crisis.

Cascades: A value play that's flirting with 52-week highs

Cascades (TSX:CAS) produces and sells tissue products that are composed mainly of recycled materials, making the name not only a top toilet paper play to ride out a recession, but also an ESGfriendly play for those looking to capitalize on the trend.

The underrated TP play has been quietly surging over the past few months, with shares now up 63% from its April 2019 lows. Cascades stock initially sold off on the coronavirus crash (likely as liquidity dried up), but quickly rebounded as investors sought safety. The stock is now up 9% from the market's February peak before everything was sold off.

While the 2.5% yield may not be as bountiful as some of the other players out there, it's proven to be safer than bonds, which have taken a tumble amid the cash crunch. Cascades offers a truly low correlation to the broader markets when we enter times of recession.

So, if you're looking for safety amid the chaos, look no further than the toilet paper powerhouse that could get a nice boost once it pulls the curtain on its latest quarterly results. default watermark

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