



TFSA Investors: This TSX Toilet Paper Stock Could Add Lots of Paper to Your Bank Account

Description

When people were stocking up on toilet paper at the start of the pandemic, one could be forgiven for thinking that the virus was attacking pulp and paper products instead of human beings. However, now that people are back to buying toilet paper at normal levels, it would be a crime to ignore companies that make toilet paper.

A defensive buy for your TFSA

Cascades Inc ([TSX:CAS](#)) one of Canada's top [toilet paper companies](#). You can consider allocating a part of your Tax-Free Savings Account (TFSA) to this company. The TFSA limit for 2020 stands at \$6,000.

In case you withdrew \$15,000 from this account last year, the total TFSA contribution room for 2020 is \$21,000. If your TFSA contribution limit for 2020 has increased due to withdrawals in prior years, adding top-quality stocks should be a priority.

Cascades [released its results](#) for the first quarter of 2020. Sales came in at \$1.31 billion, an increase of \$83 million or 7%, compared to \$1.23 billion in the prior-year period. The cash flow for the first quarter increased by \$68 million to \$153 million. The company currently sits on cash and cash equivalents of \$650 million.

Cascades is a **TSX** stock and increased dividends steadily in the last decade. In 2010, the company paid a dividend of \$0.16 in 2010 and now the dividend payout is \$0.32. That's a growth of around 7.2% every year. It indicates a forward yield of 2.42%.

The company has been a consistent dividend paymaster, and management said it will continue to pay out dividends regularly. That's a big commitment to make considering all the dividend cuts and suspensions that other companies are implementing.

Even though the company's debt levels have gone up to \$2.2 billion as of March 31, 2020, compared

to \$1.96 billion on December 31, 2019, the company will not face any serious problems on this front unless Canada suddenly stops using toilet paper.

The higher debt is due to a foreign exchange impact of \$140 million and the acquisition of a \$121 million stake in Greenpac Mill.

Outlook for 2020

Demand continues to remain strong for Cascades' hygiene and packaging solutions in the food and personal care space. Cascades says that around 80% of its overall sales are considered as essential goods. The sales of these goods have increased in the first quarter and remained steady or gone up in the latter half of Q1 and the start of April.

Apart from toilet paper, Cascades is seeing an uptick in bath and kitchen towels. The company had a lot of inventory in stock compared to its peers, which held it in good stead for 2020. Now that toilet paper madness has run its course, it is unlikely that there is going to be a major surge for Cascades' products in the coming months.

However, as the pandemic continues to affect people and economies, these products from the company will continue to see regular and stable demand.

Cascades has reduced its CapEx outlook from \$250 million in 2020 to around \$175 million to \$200 million. It will go slow on certain expenditures while it has deferred others to 2021.

The TSX stock is trading at \$12.87, which is 14.5% below its 52-week high. Analysts tracking the stock have a 12-month target price of \$13.83, which is 7.5% above its current trading price.

If you add the dividend yield of 2.42%, these returns might be closer to 10%. Cascades is a good consumer defensive stock to have in your TFSA portfolio right now.

CATEGORY

1. Coronavirus
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1. TSX:CAS (Cascades Inc.)

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Date

2025/08/24

Date Created

2020/05/18

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