These Toilet Paper Stocks Have Great Dividends

Description

Toilet paper flew off the shelves back in March and April of 2020 as fears mounted over the coronavirus pandemic. With the insidious COVID-19 continuing to spread rapidly, further lockdowns could be in the cards. And while I don’t suspect the 2020 top trend of hoarding tissues, paper towels, and toilet paper will be a theme this year, even as cases continue surging, with fears over mutated variants, Canada’s top toilet paper stocks are great buys for their dividends. Moreover, shares of top toilet paper stocks have been under pressure of late, which I think suggests that the “hoarding toilet paper” trade is now off the table.

While toilet paper stocks won’t make you big money as they did in early 2020, they can offer you well-covered, bountiful dividends. Amid the pandemic, where dividend cuts have been widespread, that’s really all income investors could ask for. In this piece, we’ll look at **KP Tissue** (TSX:KPT) and **Cascades** (TSX:CAS), which sport handsome yields of 6.8% and 2.1%, respectively. The former stock is under extreme pressure, with shares down over 23% from its highs, while the latter has been stuck in a consolidation channel.

KP Tissue

Paper products producer KP Tissue is way oversold here. The stock finds itself in bear market territory as the price of pulp and paper continued fluctuating wildly. While toilet paper is a necessity that’s likely to experience very stable demand over time, the firm isn’t immune to fluctuating prices of input costs.

Over the longer term, though, input costs could be headed lower, which could act as a nice tailwind for KP Tissue for years to come. At the time of writing, KPT stock trades at a very reasonable 1.5 times its book value. Of the analysts covering the name, most have a “hold” rating. Zachary Evershed of National Bank is the most bullish, with a lonely “buy” rating and a price target of $15, implying 42% worth of upside from current levels.

While unfavourable input cost moves could pressure KP's dividend, I don't think the sizeable payout is at risk and would encourage contrarian income investors to consider initiating a position today.

Cascades

Cascades is another paper products play that I think investors should buy for the dividend. While the yield isn't as rich as the likes of a KP Tissue, I am a fan of the firm's focus on tissue products made from recycled fibres. The stock is lesser-known by Canadian ESG investors, but it's one that's worthy of adding to one's shopping list.

Fellow Fool Jed Lloren seems to think so. He thinks that the name could benefit from the continued rise in e-commerce packaging and think it could represent a meaningful long-term source of growth for the "boring" firm.

"Specifically, I am interested in its e-commerce packaging. It is no secret that I believe e-commerce is one of the most important emerging industries in the world. Cascades offers a variety of box types that suits the custom needs of each merchant," wrote Lloren.

He's right. The stock has a street-high $22 price target from analyst Zachary Evershed, representing 42% in upside from today's levels.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CAS (Cascades Inc.)
2. TSX:KPT (KP Tissue Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/14
Date Created

2021/01/22
Author
joefrenette