



TFSA Investors: Buy This Recession-Resistant Value Stock

Description

Cascades ([TSX:CAS](#)) is involved in the production, conversion, and marketing of [packaging products and tissue papers](#) principally composed of recycled fibre. In 2020, Cascades consumed approximately four million short tons of fibre. Recycled fibre, wood fibre and virgin pulp, respectively, accounted for 84%, 10%, and 6% of the total fibre consumption. Cascades sources recycled fibre through long-term agreements with independent suppliers.

The company has a price-to-earnings ratio of 15.73, price-to-book ratio of 0.95, dividend yield of 1.98%, and market capitalization of \$1.63 billion. Debt is high at Cascades, as evidenced by a debt-to-equity ratio of 1.22. The company has excellent performance metrics with an operating margin of 7.38% and a return on equity of 7.01%.

The company sources [wood fibre and pulp](#) through contractual agreements with independent sawmills, timberland owners, and pulp producers. Cascades conducts business principally through four reporting groups in two operating sectors. The company has about 90 operating units located in Canada, the United States, and Europe and employs more than 12,000 employees. Approximately 29% of the company's Canadian and United States workforce is unionized under 33 separate collective bargaining agreements.

In Europe, some of the company's operations are subject to national industry collective bargaining agreements that are renewed on an annual basis. Of the 33 collective bargaining agreements in North America, five will expire in 2021. Cascades sets the overall strategic guidelines and ensures that corporate policies concerning acquisition and financing strategies, legal affairs, human resources management, and environmental protection are applied across all business units.

Cascades is a leader in the packaging industry in North America and a top producer of coated recycled boxboard in Europe. Cascades is well positioned to take advantage of the growth in demand for green products due to the company's diversity of product offerings.

The company is an integrated manufacturer with both downstream recycled paper collection and processing capabilities and upstream manufacturing and converting operations. Cascades uses a

closed-loop system that enables it to manufacture products at a higher efficiency than competitors. In North America, much of the recycled fibre that the company uses in products come from its own recovery facilities.

Cascades continually looks for opportunities to increase integration to further ensure the supply of raw materials to company's mills and grow the development of environmentally sustainable products. The company manufactures and sells a diversified portfolio of packaging, tissue and specialty packaging products for commercial, industrial and consumer product end markets in Canada, the United States, Europe, and other regions.

The company's product, geographic, and customer diversification helps it maintain operating performance through economic downturns and changing market conditions. The size and diversity of Cascades operations also allow it to cost effectively serve customers on a regional and multinational basis, reducing delivery times and enhancing customer service.

Further, the company's packaging, tissue, and other products are sold primarily to consumer-oriented end markets, which tend to be less sensitive to economic cycles. As a result, products sold to these markets tend to exhibit a greater degree of stability and predictability in demand and product prices than products sold to commercial or industrial-oriented end markets.

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