



RRSP Investors: This Value Stock Is Ridiculously Cheap

Description

Domtar ([TSX:UFS](#))(NYSE:UFS) designs, manufactures, markets and distributes a [variety of fiber-based products](#), including communication papers, specialty and packaging papers, and absorbent hygiene products. The foundation of the company's business is a network of wood fiber converting assets that produce paper grade, fluff and specialty pulp.

The company has a price-to-book ratio of 1.10 and a market capitalization of \$ 2.5 billion. Debt is very sparingly used at Domtar, as evidenced by a debt to equity ratio of just 0.51. The company has excellent performance metrics with an operating margin of 2.05% and a return on equity of (6.26) %.

More than 50% of Domtar's pulp production is consumed internally to [manufacture paper and other consumer products](#), with the balance sold as market pulp. The company is the largest integrated marketer of uncoated free sheet paper in North America and serves a variety of customers, including merchants, retail outlets, converters and end-users.

Domtar is also a marketer and producer of a broad line of incontinence care products as well as infant diapers. Approximately 80% of the company's revenues is from the pulp and paper segment and approximately 20% is from the personal care segment.

The company's pulp and paper segment consists of the design, manufacturing, marketing and distribution of communication, specialty and packaging papers, as well as softwood, fluff and hardwood market pulp. The company's personal care segment consists of the design, manufacturing, marketing and distribution of absorbent hygiene products.

Domtar owns nine integrated pulp and paper mills and one non-integrated paper mill with an annual paper production capacity of approximately 3 million tons of uncoated free sheet paper. Approximately 76% of Domtar's paper production capacity is in the United States and 24% is located in Canada. The company sells about 1.9 million metric tons of pulp per year.

Domtar's products are primarily for office and home use. Business papers account for approximately 50% of the company's shipments of paper products in 2020. The company's publishing papers include trade book and lightweight uncoated papers used primarily in book publishing applications such as

textbooks, magazines, hard cover novels and financial documents.

Commercial printing and publishing papers account for approximately 33% of Domtar's shipments of paper products in 2020. The company's specialty and packaging papers include papers used for medical packaging, medical gowns and drapes, and other papers used for coating and laminating applications.

Domtar also manufacture papers for industrial and specialty applications including carrier papers, treated papers and security papers. These specialty and packaging papers accounted for approximately 16% of the company's shipments of paper products in 2020.

The company's paper sales channels are aligned to efficiently bring a competitive and complete product offering to Domtar's customers. Domtar also sells products directly to end-users in order to enhance brand recognition and increase product demand.

Domtar's pulp products are comprised of softwood, fluff and hardwood kraft. The company's pulp is used in a variety of end products, such as diapers and personal hygiene products, bathroom and facial tissue, packaging papers, building products and electrical insulating papers.

At current prices, investors are presented with an excellent opportunity to own a high-quality company at a reasonable valuation.

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