



Value Stock Alert: 1 Industrial Stock to Buy Now

Description

Stella-Jones ([TSX: SJ](#)) is a leading producer and marketer of [pressure treated wood products](#). The company supplies North America's electrical utilities and telecommunications companies with utility poles and the continent's railroad operators with railway ties and timbers. Stella-Jones also manufactures and distributes pressure treated residential lumber and accessories to retailers for outdoor applications, as well as industrial products for construction and marine applications.

One of the company's important advantages is Stella-Jones's strong wood supply position in key regions of Canada and the United States. Wood supply for railway ties and timbers as well as residential lumber are purchased from [hundreds of sawmills](#) in various regions throughout North America. The company has a strong procurement team, which has built well established relationships to help ensure a sufficient and competitively priced supply of all of Stella-Jones's raw material.

Timber harvesting

The selection and harvesting of wood poles is a process that allows the company to harvest selectively individual trees of a quality suitable for poles. In order to have access to as many areas of timberland as possible, the company has entered into trade agreements with a number of sawmilling and forest products companies in British Columbia and in Québec.

Utility poles

Most of the company's sales of utility poles are through multi-year contracts and in response to public tenders issued by customers, primarily regional electrical and telecommunication companies. The key criteria in successfully obtaining orders are high quality, consistent on-time delivery, customer service and competitive prices. The company's ability to offer a variety of species and preservatives, combined with multiple plant locations and large inventories, creates a competitive advantage.

Railway ties

Stella-Jones's multiple locations, wide product offering and reputation for quality and service are significant advantages. Through Stella-Jones's long tradition of providing consistent high-quality services, the company has developed close relationships with the major railways, short line railroads and contractors, and is an important supplier of treated ties to this market in North America.

Residential lumber

This product group is made up primarily of a major big box retailer and numerous other participants varying in size. Opportunities exist for high quality producers who can successfully differentiate products and services. The company provides premium quality treated residential lumber products to lumber retailers in Canada and the United States for outdoor applications.

Industrial products

Sales primarily comprise various treated wood products used in construction projects, such as wharfs, railway bridges and foundation and marine piling. Products are typically sold directly to end customers, such as railway or construction contractors as well as governmental authorities in response to tenders for a certain quantity and specification of preserved timber for a particular project. The company sells railway bridge timbers and crossing planks as well as crane mats, which are custom manufactured to the specification of the customer.

Stella-Jones's competitive strengths in such markets have included access to guaranteed raw material supply, strategic geographical locations of treatment plants offering a variety of treating processes, access to shipping ports and extensive experience in international freighting. The company evaluates export opportunities at price levels that will provide adequate returns for the additional risks inherent in these markets.

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