



Take Advantage of Inflation and Buy These TSX Stocks

Description

Last month, I'd [discussed](#) the consequences of higher inflation for investors. The Bank of Canada recently said that inflation would likely rise to the higher end of its target in the months ahead. Canadian investors should look to target stocks that are likely to benefit in this inflationary climate. Today, I want to zero-in on companies that produce lumber. Are these **TSX** stocks worth adding as inflation rises? Let's jump in.

Lumber prices have exploded over the past year

Commodities have gained significant momentum on the back of hopes for a global recovery. Lumber prices have erupted in recent months. Industry experts are hopeful that prices will decline in the second half of 2021 as the cost of construction projects has climbed.

The latest provincial data showed that lumber prices had more than tripled from the prior year. A basic SPF (spruce, pine, fir) two-by-four cost \$1,040 per thousand board feet as of March 12. That national average a year ago stood at \$372, according to data from the Ministry of Forests, Lands, Natural Resource Operations and Rural Development. Canadian Builders' Association CEO Kevin Lee said that he did not expect lumber prices to fall back to more favourable levels in the near term.

Lumber prices have climbed due to surging demand, influenced in part by a red-hot real estate market. Last week, I'd [discussed](#) why these conditions are unlikely to normalize anytime soon. Does this mean investors should target TSX stocks that boast exposure to the lumber industry?

Will these TSX stocks benefit?

Acadian Timber ([TSX:ADN](#)) is a New Brunswick-based company that supplies primary forest products in North America. Shares of this TSX stock have climbed 24% in 2021 as of early afternoon trading on April 12. The stock is up 54% from the prior year.

Challenging conditions during the pandemic had an adverse impact on Acadian Timber in 2020.

Adjusted EBITDA fell to \$21.4 million compared to \$23.6 million in the previous year. However, adjusted EBITDA and free cash flow both increased in Q4 2020. Moreover, shares of Acadian Timber possess a favourable price-to-earnings ratio of 15. It also offers a quarterly dividend of \$0.29 per share, which represents a strong 5.8% yield.

Canfor ([TSX:CFP](#)) operates as an integrated forest products company around the globe. This TSX stock has surged 35% so far this year. Shares have soared over 270% compared to the same period in 2020.

The company released its fourth-quarter and full-year 2020 results on February 24. It achieved record high operating income of \$727 million in 2020. Net debt improved by \$256 million as at December 31, 2020, while available liquidity stood at a strong \$1.4 billion. Sales rose to \$5.45 billion in 2020 – up from \$4.65 billion in 2019.

Shares of this TSX stock last had a very attractive P/E ratio of 7.0. This TSX stock still has room to run in this very friendly price environment.

Conifex Timber manufactures and sells lumber products around the world. Shares of Conifex have climbed 66% in 2021 so far. The TSX stock has soared over 400% year over year. Sales rose to \$49.8 million in Q4 2020 – up from \$37.6 million in Q4 2019. Investors may want to scoop up shares of this company as lumber prices soar.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ADN (Acadian Timber Corp.)
2. TSX:CFP (Canfor Corporation)

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