



TFSA Investors: 1 High Dividend Stock Set to Outperform

Description

Canwel Building Materials (TSX:CWX) is a leading wholesale distributor of building materials and home renovation products and producer of pressure treated wood products in Canada, and regionally in the United States (U.S.) mainland and Hawaii. The company services the new home construction, home renovation and industrial markets by supplying the retail and wholesale lumber and building materials industry, hardware stores, industrial and furniture manufacturers.

The company's operations also include timber ownership and [management of private timberlands](#) and forest licenses, full service harvesting and trucking operations, and agricultural post-peeling and pressure treating through Canwel Fibre. In 2017, the company acquired Honsador Building Products, further expanding the company's presence in the U.S. building distribution and treating markets.

Growth by acquisition

In 2018, the company continued with Canwel's [expansion and growth plans](#), completing the purchase of a partially constructed lumber pressure treating plant near Portland, Oregon and a lumber pressure treating plant in Woodland, California. In 2019, Canwel acquired Lignum Forest Products, a well-established brand in the lumber and forestry distribution market in Western Canada and the U.S. In 2020, the company acquired Vickers Island Truss, a truss manufacturing plant in Kauai, Hawaii.

Canwel started 2020 with a positive trend in pricing for construction materials, namely lumber and plywood products. The impact of COVID-19 global pandemic on Canwel's business was managed swiftly and the executive team adopted appropriate cautionary measures in order to protect the balance sheet, including the decision to reduce the company's quarterly dividend.

Surge in product demand

As the company worked through the peak impact period of business closures and lockdowns, it quickly saw a rapid surge in demand for all building material products, which started a long wave of strong demand and pricing increase for all building products owned, carried and distributed on Canwel's

platform. This trend was also reflected in rapidly increasing construction material pricing.

The surge in end market demand and pricing for Canwel's products driven primarily by the home renovation market as well as strong housing starts, combined with the company's disciplined focus on cost management and tight inventory, resulted in record financial results in 2020. All of Canwel's key financial indicators reached all-time record highs, and the company paid shareholders a total of \$0.54 per common share on an annualized basis.

Reduced leverage levels

The magnitude and strength of Canwel's financial performance also reshaped the company's balance sheet with reduced leverage levels. This performance along with the company's continued fiscal vigilance, resulted in a reduction of Canwel's net debt by over \$80 million on a year-over-year basis, while achieving the highest growth rates across all financial metrics, in the company's history.

Despite the hardships and severity of the COVID-19, the company displayed robust financial and operational discipline in dealing with the global pandemic, which negatively impacted many parts of the global economy. As an essential service, Canwel successfully managed to deliver on all customers' needs, while remaining focused on cost efficiencies and tight inventory management.

This company gained market share and captured robust sales across business platforms, which has resulted in record financial results in 2020.

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