



## West Fraser (TSX:WFG) Stock: Why I'm Buying the Post-Earnings Bump

### Description

**West Fraser Timber** ([TSX:WFG](#))([NYSE:WFG](#)) is a Vancouver-based, diversified wood products company that is engaged in manufacturing, selling, marketing, and distributing lumber, engineered wood products, and others. Shares of West Fraser ran into major turbulence in the beginning of April. However, it has since performed better following its earnings release. Today, I want to discuss why I'm looking to add this top stock as we move into May.

### Here's why West Fraser stock gained momentum in late 2021 and early 2022

West Fraser stock hit an all-time high of \$130.13 in the late winter of 2022. Soaring inflation has had a major impact on commodities over the past year. Back in May 2021, I'd [discussed](#) how soaring lumber prices were positively impacting this very stock.

Lumber prices have broadly cooled in part due to inflation numbers having a negative impact on the renovation market. North American consumers have been hit hard by rising prices, which has caused many homeowners to delay expensive renovations. That said, investors should not look to bail on West Fraser stock.

### Should you be encouraged after the release of its Q1 2022 earnings report?

The company released its first-quarter 2022 earnings after markets closed on April 28. West Fraser reported sales of \$3.11 billion in the first quarter of 2022 — up from \$2.03 billion in Q4 2021. Meanwhile, it delivered earnings of \$1.09 billion, or \$10.25 per diluted share. That was up from \$334 million, or \$3.13 per diluted share, in the fourth quarter of 2021.

This lumber giant achieved strong results in the face of headwinds in the first quarter. These includes “transportation challenges” and “mill disruptions” according to president and CEO Ray Ferris. Despite

that, the company was powered by strong demand for its wood products.

West Fraser also delivered adjusted EBITDA of \$1.59 billion in Q1 2022 — up from \$615 million in the fourth quarter of 2021. Management is still confident in the fundamentals for the housing and repair space. However, rising mortgage rates and high home construction costs do pose a lingering risk that investors will need to keep an eye on.

## Why I'm looking to add West Fraser stock today

[Earlier this week](#), I'd looked at another Canadian stock that seemed strong after its earnings release. West Fraser is another stock I'd look to snatch up, especially as it has enjoyed a post-earnings bump.

This company has maintained an immaculate balance sheet at the end of the first quarter of 2022. Shares of West Fraser had a price-to-earnings ratio of 3.2 at the time of this writing. That puts this stock in very [attractive value territory](#) after its earnings release. Better yet, it recently announced an increase in its quarterly dividend to \$0.25 per share. That represents a modest 1.1% yield.

Investors need to pay attention to broader headwinds that could test this company, but I'm still bullish on West Fraser going forward. In its 2022 outlook, the company expects strong demand for wood building products in North America and Europe to sustain its promising growth trajectory.

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**Date**

2025/08/25

**Date Created**

2022/04/29

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