



Canfor Stock Pops 5% as Sales Climb 15% YOY

Description

Canfor ([TSX:CFP](#)) climbed slightly by 5%, as the company saw improvements and remained optimistic about future growth.

- Net income came in at \$534 million for the quarter, or \$4.20 per share.
- Canfor stock made a \$440 million acquisition and announced a \$165 million investment.
- Sales climbed 15% year over year to \$2.2 billion.

What happened in Q1 for Canfor stock?

Canfor stock traded slightly higher this week on its first-quarter earnings, with a 25% increase in net profits compared to its last quarter and 15% higher than the year before. It achieved near record-high North American lumber prices, which helped boost revenue as well.

Net income came in at \$534 million, or \$4.29 per share. This fell below earnings estimates of \$584.2 million for the quarter by about 8.5%. Canfor stock completed the acquisition of Millar Western Forest Products for \$440 million and announced a \$165 million [investment](#) in the southern United States. Operating income also improve to \$742 million, up from a loss of \$66 million the year before.

What did Canfor stock management say?

Management remained pleased and optimistic about the immediate future of the global lumber market. Supply demands remain strong, and while the pulp business continues to face challenges, Canfor seems to be picking up the slack elsewhere.

“A solid operating performance across all of our lumber operating regions allowed us to capitalize on these favourable market fundamentals and execute on our diversification strategy with the recent acquisition of Millar Western. Despite these factors, the global supply chain crisis continues to negatively impact our operations and has resulted in

curtailed and reduced lumber and pulp operating schedules. We will continue to assess the effects of this crisis and will make adjustments to our operating schedules as conditions evolve. We greatly appreciate our employees' ongoing resilience in managing through the supply chain challenges."

Don Kayne, Canfor president and chief executive officer

What's next for Canfor stock?

Despite the major boost in profits and ongoing positivity surrounding global lumber, shares didn't move as much as analysts predicted. Canfor stock currently has a target price of \$41.83 yet trades at just \$25.77 as of writing. That's a potential upside of 62% as of writing.

Should you buy it? That's not as clear. Labour shortages, the poor pulp sector, and ongoing inflation could all weigh on the stock in the future — especially as this [volatile](#) market has analysts worried about the case for a recession.

Though looking at valuations, right now, Canfor stock looks like a steal. It trades at 2.4 times earnings, and 0.87 times book value. The problem is that should shares fall further, there isn't a dividend or anything else you can lean on while you wait for a recovery.

That being said, lumber is a strong area right now with the building business booming. With COVID-19 restrictions easing, there is a massive backlog that Canfor looks to fill. The only question is, how much will it cost?

Shares of Canfor stock were down 1% on Wednesday and down 19% in the last year.

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alegatewolfe

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