Rogers Sugar: A Must-Own Consumer Staples Stock in 2023

Description

Canadian economists surveyed by Bloomberg warn of a recession very soon, if not the first quarter of next year. The consensus is that an economic slowdown is inevitable because of the impact of rising interest rates. Fortunately, the same economists don't see a long drawn-out recession but project growth to resume in the latter half of 2023.

Meanwhile, investors should pick stocks wisely as early as now. One sector that should remain resilient in the wake of a slowing economy and higher inflation is consumer staples. As of this writing, or year to date, consumer staples (+12%) is the second-best performing sector after energy (+44.1%).

However, if you want to be defensive through and through, **Rogers Sugar** (TSX:RSI) is a must-own stock for next year. It will protect and satisfy investors, notwithstanding an impending recession, as both a defensive and passive income-generating stock.

Record volume and adjusted EBITDA

In Q4 fiscal 2022, the $605.4 million company reported another record quarter of sugar sales (214,672 metric tons). The total sales volume of 794,600 metric tons for the entire fiscal year was the highest ever in Rogers Sugar's history. The same is true for the adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of $102.1 million in fiscal 2022.

Mike Walton, President and CEO of Rogers and Lantic Inc., said, "We generated another quarter of record sugar sales volumes in the fourth quarter." He credits the flexible manufacturing platform for allowing the team to meet the high demand and capture opportunistic sales in the domestic market.

Walton adds that the business displayed strength and adaptability despite massive headwinds in the core business segments (sugar and maple). The $46.8 million free cash flow (FCF) at the end of fiscal 2022 (12 months ended October 1, 2022) was 2.6% higher than a year ago.

Overall, management is happy with the remarkably strong financial performance in fiscal 2022, boosted by the company's excellent operating performance and agility. The sugar refiner managed the supply chain challenges while identifying and capturing opportunities at the same time.

Rogers Sugar anticipates stable financial results in fiscal 2023 owing to continued strong demand and steady margins in the sugar segment. The Maple segment should deliver slightly improved financial performance. Moreover, management expects the unfavourable inflationary pressures to begin receding next year.

Steady and reliable dividend stock

Investors can't complain about the steady performance of Rogers Sugar and its reliability as a passive income provider. The sugar producer delivered positive returns of 22.6% and 12.9% in 2020 and 2021, respectively. If you invest today, RSI trades at $5.80 per share (+1.84% year-to-date) and pays a hefty 6.2% dividend.

Assuming you invest $20,300 (3,500 shares) today, your money will produce $1,258.60 in annual dividends. Since the dividend payout is quarterly, you'd have $314.65 in passive income every three months.

According to Jean-Sebastien Couillard, Rogers' VP of Finance, Corporate Secretary, and CFO, the most recent dividend declaration is consistent with dividend payments in previous quarters for the last several years. Whether the coming recession is mild or not, it would be wise to invest in Rogers Sugar for capital protection and rock-steady passive income in 2023.

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