



West Fraser Timber Stock Was up 17% Last Month: Is it a Buy Now?

Description

Shares of **West Fraser Timber** ([TSX:WFG](#)) rose by 17% in the last month, with the company making several announcements that strengthened its balance sheet. At a time of rising prices and housing uncertainty, West Fraser Timber stock managed to prove that it can still make gains.

What happened?

West Fraser Timber stock first announced earlier in January a strong earnings report that saw early losses drop off. This came in part thanks to “indefinitely curtailing” its Perry Sawmill in Florida. This came down to those increased costs and the “softening” [lumber market](#).

The curtailment reduces its U.S. lumber production by 100 million board feet each year, yet demand simply hasn’t been keeping up with that production. This could hurt the company’s profitability, so it was seen as a positive move — one that’s kept prices rising for West Fraser Timber stock ever since.

Bigger picture

Yet it’s not just this recent curtailment that has analysts excited. One recently upgraded *all* lumber stocks thanks to improving affordability in housing. Sure, the housing market going down isn’t great. However, making it more affordable means there is more demand from consumers who want to own their own new home.

While the beginning of 2023 may be rough, an improving market in the second half could see West Fraser Timber stock rise even higher. In fact, one analysts at least now marked the company as an outperformer in the lumber industry. And this could be even bigger thanks to a refund coming in from the United States.

After paying deposits totalling US\$6.1 billion over six years on U.S. lumber tariffs, Canadian softwood producers are now likely to receive massive refunds. While negotiations are ongoing, this could result in huge refunds for West Fraser Timber stock, among others. And it’s money sorely needed, as the

lumber market remains relatively weak.

Going strong

All this is to say that West Fraser Timber stock made a strong decision to get out of its Florida sawmill and focus on Canadian production. This reduces taxes in the U.S. when negotiations are complete. Further, it proves the company is focusing on strengthening its balance sheet at a time when lumber isn't in as high demand as it was during the pandemic.

After another solid third quarter back in October, when the market was at its worst point, investors are now holding out for the next quarter. While it's likely to be similar, we could certainly see a boost because of the sawmill decision. So, West Fraser Timber stock may continue to climb higher in the near future.

Meanwhile, it remains a steal on the TSX today. Shares trade at just 3.53 times earnings as of writing! You can ring in a 1.38% dividend yield as well while it trades at just 0.93 times earnings. In fact, it would take just 6.83% of its equity to pay off all its debts at this point!

Bottom line

Some stocks out there rising higher on the TSX today are bound to crash in the near future. But not West Fraser Timber stock. In fact, it could continue to climb when earnings come out soon. And given its history of growth and valuable share price, it's a long-term investment I would consider buying on the TSX today.

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