



Sometimes Boring Is Good

Description

With Easter around the corner, some of you might partake in family dinners, where you will have to endure your brother-in-law raving about cryptocurrencies and marijuana stocks. Personally, I like to keep it simple when it comes to investing. I try to ignore trends that often vanish as quickly as they appeared. Some might even call my approach to investing boring.

Peter Lynch, one of the greatest investors of all time, actively sought boring. Here is what he said on the subject: “The perfect stock would be attached to the perfect company, and the perfect company has to be engaged in a perfectly simple business, and the perfectly simple business ought to have a perfectly boring name. The more boring it is, the better.”

Today, let’s look at a boring company and determine if it is worthy of a spot in your portfolio.

Cascades Inc. ([TSX:CAS](#))

I can’t think of a more boring company than Cascades. It has been around since 1964 and produces, converts, and markets packaging and tissue products that are composed mainly of recycled fibres. The company employs 11,000 people who work in close to 90 production facilities located in North America and Europe. Yet, despite being boring, it has been on a nice growth trajectory over the last few years.

The company recently capped off another great year, as sales were up 11% compared to 2016. It also laid out its 2017-2022 strategic plan, and it appears to include measures that should be beneficial to the company’s growth going forward. These include growing its presence in the United States, increasing their profitability margin from 10% to 15%, and continuing to invest heavily in innovation.

In terms of valuation, Cascades trades at approximately three times trailing earnings. We have to keep in mind, however, that the ratio is affected by unusually high earnings posted by the company due to the sale of its stake in **Boralex Inc.** A more reliable ratio not distorted by fluctuating earnings is the price-to-book ratio, and good news: Cascades currently trades at book value!

Cascades provides great geographic diversification, as it derives 39% of its sales in both Canada and the United States, and the remaining 22% come from Europe and other regions. If you are

environmentally conscious, you would be pleased to know that the company takes the environment to heart. It established a sustainable development plan, and 80% of its products are made with recycled fibres.

Cascades also pays out a steady dividend, which has been uninterrupted since 2003. However, the company has not rewarded shareholders with dividend increases during that period, and the current yield stands at a meagre 1.14%. Hopefully, the company will consider increasing the dividend over time as it continues to mature.

Foolish bottom line

Cascades might not get the same attention in conversations in cocktail parties as cryptocurrencies or marijuana stocks, but it's a lot more stable and is a worthy pick for long-term investors. As boring as the company may be, its 354% return over the last five years is anything but boring.

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