



Why Chemtrade Logistics Shares Leaped

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of **Chemtrade Logistics Income Fund** ([TSX: CHE.UN](#)) popped as high as 10.4% today after the sulfuric-acid producer agreed to acquire peer General Chemical Holding Co. for \$860 million.

So what: Chemtrade is making the move to add significant scale to its existing platform, and judging by today's big rally, Bay Street is particularly pleased with the price — nearly 8 times EBITDA — that management is paying to do it. In fact, Chemtrade expects the transaction to generate operating cost synergies of about \$10 million and to be roughly 17% accretive to its distributable cash per unit.

Now what: Chemtrade plans on financing the deal with \$1 billion of credit facilities and a \$300 equity raise. "General Chemical has strong portfolio alignment with our current business, enhancing our existing sulphuric acid geographic footprint and greatly expanding our water treatment business so it now extends across most of North America," [said](#) Chemtrade CEO Mark Davis. "The acquisition of General Chemical also moves Chemtrade into new but related product categories and end markets, and positions Chemtrade to capitalize on new growth opportunities." Of course, with Chemtrade shares now up more than 20% from their 52-week lows, much of that growth might already be baked into the valuation.

Canada has yielded its fair share of great companies. But unsuspecting Canadian investors could get ambushed by a glaring weakness in their portfolios. One basic investing principle holds the key to a rock-solid portfolio ... and it starts with our neighbors to the south, America.

That's why The Motley Fool has put together a Special **FREE** Report, "[3 U.S. Stocks Every Canadian Should Own.](#)" The funny thing is, these stocks might as well be Canadian ... because you use them every day. Just [click here now](#) to receive a copy at no charge!

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

Category

1. Investing

Date

2025/07/25

Date Created

2013/12/04

Author

bpacampara

default watermark

default watermark