



It's Time to Step Back and Reassess This Dividend Stock

Description

What should investors do about **Keyera Inc.** ([TSX:KEY](#))? For years, this company has been a steady monthly [dividend payer](#) that many investors have included in their dividend accounts. Its dividend growth has been pretty phenomenal over the years. After the massive drop, the stock yields over 6% at the resulting share price. For a stock that has typically yielded under 5%, this drop does indicate some investor apprehension.

The huge recent drop in its share price makes me nervous. If the entire market or a specific sector drops, it's frequently a case of overreaction, which can often present a buying opportunity for long-term investors. While uncomfortable, it is much easier to believe that the market is just in a bad mood, allowing you to ride out the chaos until sanity once again prevails.

When a single company is dropping far faster than the general market or sector, investors need to step back and do some serious analysis before continuing to hold or adding to a position.

If you recall, over the past year a similar situation occurred regarding **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)). Its share price dropped from the \$50 range all the way to \$38, at which point the company seemed like a no-brainer buy. Enbridge's yield at that point was north of 7%, which was much higher than that of Keyera even after the downturn in its share value. The reason was similar for both. Each had a significant amount of debt that investors fear may threaten the stability of the company and the dividend.

The difference between the two companies lies in the depth and breadth of their businesses. Enbridge is a much larger company with a market capitalization of \$80 billion compared to Keyera's \$6 billion. It is also much more extensively diversified with international operations in the United States and Europe. It provides such services as pipelines, renewable energy projects, and regulated utility assets. As such, it was easier to stick with Enbridge when its share price fell.

Compare Enbridge's diversity to Keyera, a company that primarily focuses on Western-Canadian pipeline operations and storage facilities, and it becomes easy to see which would most likely be the safer bet. This is not a knock on Keyera's business model, it's just that larger, diversified players may be better ports in a storm.

While it appears that I'm down on Keyera, I'm not. Whenever a single stock drops a certain amount, say 20%, and you are not sure of the cause it can be a valuable strategy to sell, take the tax loss and use the month to do some research. If you determine that the company is sound, then you have the opportunity to decide after the month tax lock-out is up whether you want to get in at a lower price or just get back in.

Keyera's current share price may prove to be an [excellent entry point](#), but it would be wise to exercise caution. With a smaller, less diversified company, it's a good idea to step back if things go south in a hurry. Remember, you can always buy the stock again later. Take your time, check out the books, and get in later if you feel that the business is solid. Even with a company that has as good a history as Keyera, it can be prudent to exercise caution when the stock price falls off a cliff.

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Author

krisknutson

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