
# Chemtrade Logistics (TSX:CHE.UN) Is a Solid Buy With a 12.8% Dividend Yield

## Description

I'm beginning to look very carefully look at the possibility of **Chemtrade Logistics Income Fund** ( TSX:CHE.UN) as an addition to my TFSA or non-registered investment account. I'll attempt to explain why I think the market has unfairly sold off this stock with the result being an attractive entry point for value and dividend investors.



CHE.UN shares have fallen off sharply over the past 12 months or so, down 47% from their all-time high of $17.71 per share back in January of last year. With CHE.UN stock closing on Monday at $9.36 per unit, the shares now represent a very attractive 12.8% dividend yield based on the firm's regularly scheduled monthly $0.10 distribution.

That means if an investor were to initiate, for example, a $10,000 stake in the firm, they'd be expecting to get in return a monthly distribution equal to a little over $100, with the value of the dividend, based on the original $10,000 investment, expected to approach and even exceed $1,000 annually.

However, CHE.UN units don't quite seem to fit the bill of certain other "high-yield stocks" that fall into the perilous category of "value traps."

While certain other stocks may offer shareholders an enticingly high dividend yields, only for those investors to ultimately see the value of their investment decline over time, I don't expect that to be the case here with an investment in Chemtrade.

Sure, markets tend to exhibit some unexpected (and unwanted) short-term volatility from time to time, just as we've seen over the past couple of months, but longer term, I tend to believe that despite this, investors in Chemtrade should expect to remain on solid footing.

Sales at the firm have remained relatively constant throughout the years without too much variability, and while the company did post a net loss of -$1.42 per share in 2018, its underlying cash flows paint a more optimistic picture.

Chemtrade's net loss of -$132 in 2018 overshadows the fact that it still managed to deliver more than $240 in cash flow from operations, which were more than enough to sustain $92 million in capital expenditures.

The bulk of that surplus, or “free cash flow,” was returned by the company’s board of directors to the firm’s shareholders by way of its aforementioned dividend redistributions.

## Bottom line

Dividend yields in excess of 10% are hard to pass up whether you’re a retiree, income-focused investor, or otherwise.

And while I’m not one to chase after high dividend yields that I worry may prove to be unsustainable, in the case of Chemtrade, the firm’s underlying free cash flows are strong enough to convince me this shouldn’t be of great concern.

I’ll continue to follow this chemicals manufacturer in the coming days and weeks so as to avoid the chance that I one day find myself shaking my head in regret that I missed out on such an attractive investment opportunity.

**CATEGORY**

1. Dividend Stocks
2. Investing



**TICKERS GLOBAL**

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

**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Date**
2025/08/18
**Date Created**
2019/02/26
**Author**
jphillips