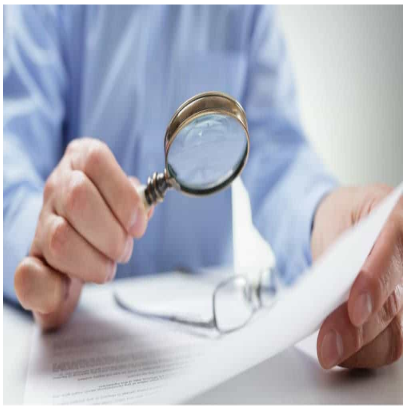

1 Ridiculously Cheap High-Yield Stock Worth Watching

Description

Shares of **Chemtrade Logistics Income Fund** (TSX:CHE.UN) have been on a downward trend pretty much for the last two years. The stock traded at $19.40 at the end of 2017, dropping 55% until April of this year, when the stock slowly started to creep up again.

The slump comes after the company traded near all-time highs, with analysts believing the stock was highly overvalued. For instance, its price-to-earnings ratio (P/E) was a whopping 69.2 times compared to the peer average of 22.3 times. By the end of 2017, the company's financials started to drop, and so did its shares.

Part of the slump in stock price and revenue came from the company settling a main class-action civil lawsuit for anti-competitive conduct of General Chemical entities, a company acquired by Chemtrade in 2014. Chemtrade would pay US$51 million plus costs to General Chemical, putting aside $35 million in its third-quarter financial results from November of last year.

But since then, things have improved. Revenue and operating cash flow both increased dramatically by 9% and a whopping 61%, respectively. So, what happened?

First let's look at the company itself. Chemtrade is a diversified operation, focusing on providing integral chemicals such as sulphur, water-based products, and electrochemicals to companies around the world. What this can mean is the company's funds are cyclical, but it also means that as Chemtrade grows, it will continue to add further recurring revenue to its client list. That list can certainly get long, as the company provides chemicals for an incredible array of businesses — everything from cleaning agents to farming nutrients.

With the money already set aside for its lawsuit and revenue back on the books, Chemtrade looks to have a solid future ahead of it. The stock is now undervalued at a 37% discount as of writing, with analysts projecting a potential upside of 42% in the next 12 months.

Now to the reason you likely are here: the dividend.

Chemtrade has held the top spot for highest dividend yield on the **S&P/TSX Composite** for quite some time. The stock offers an incredible 12.18% yield, which translates to $1.20 per year, or $0.10 per month. On top of that, even during all these trials and tribulations, with fear the stock would cut back its dividend, Chemtrade has remained steady over the last few years.

As the company continues to acquire other businesses, and the cash flow continues to come into this in-demand industry, Chemtrade should continue to not only keep a steady dividend yield but could even increase it in the future. Given that it’s an income fund, Chemtrade must pay out 90% of taxable income, which usually comes down to dividends. So, if the stock can get through the last two years without cutting the payout, things are looking pretty good for future investors.

Foolish takeaway

There are still a few question marks regarding Chemtrade. While it remains a top dividend producer, it also has had a pretty crazy year or so. It’s really no wonder the stock hasn’t rallied as much as it could have, as the company has to prove it can keep increasing its revenue and operating income over the long term.

But once it gets there, investors will be glad they stuck it out with this stock. Not only for its dividend yield, but for the potential this stock has to grow rapidly over the next few years or even decades.

CATEGORY

1. Dividend Stocks
2. Investing

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

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