Buy This Cheap Stock and Access Hundreds of Industries

Description

Materials stocks have been out of favour recently, as investors eye an embattled economy and worry about growth and whether dividends have the necessary protection. Throw in a handful of missed expectations, and you have a playing field littered with beaten-up materials and chemicals stocks, but there are also a few value opportunities out there in key industrial sectors. One of these sectors is, in fact, central to many others: methanol.

One crucial chemical stock, many dependent industries

Never mind the economy — methanol is a part of so many industries' normal functioning that a major supplier like **Methanex** (TSX:MX)(NASDAQ:MEOH) isn't going anywhere. That's why news that the methanol producer's share price has ebbed to a yearlong low is significant for value investors looking for beaten-up quality. While some investors are bearish on Methanex, its wide moat and stable supply network make it a buy for infrastructure investors.

While dampened economic sentiment may impact any number of sectors reliant on chemicals and materials, Methanex occupies a key position at the centre of a web of industry that encompasses plastics, pharmaceuticals, fuel, and even clothing. Given the many uses of this ubiquitous, natural chemical, a long position in a company as large and well connected as Methanex makes sense, especially given its heavily discounted price tag.

Investors who would like a bit of European exposure could consider Methanex, considering that the bulk of its revenue comes from that continent. As such, stacking shares in the methanol producer can help to add geographical diversification to a largely North American-centric portfolio. A company that likes to reward its investors, Methanex hiked its dividend by 9% back in April, and it currently yields an attractive 3.36%.

A beaten-up stock to power a dividend portfolio

The cause of Methanex's current sell-off is a large reinvestment of the company's funds in an update to its Louisiana complex. This will take the form of a new methanol plant beside its Geismar 1 and 2 sites, with an estimated price range of US$1.3 to US$1.4 billion. While this move may have spooked investors sufficiently to cause the share price to scrape a 52-week low, a canny cash-allocation strategy is, in fact, fairly characteristic of the company.

The 1.8 million tonne Geismar 3 plant will begin construction this year and will become operational in 2022. Methanex released a statement detailing the project, in which the company's CEO, John Floren, was quoted as saying, "We believe we are well positioned to complete this project as we have a rigorous and well-defined execution plan, an experienced team in place and a strong balance sheet and financial flexibility."

The bottom line

In short, Mathanex's additional plant will create long-term shareholder value, while solidifying the company's position as a wide-moat industry leader in methanol production. Its stock is attractively valued, offers exposure beyond the Canadian market, and constitutes a defensive play which, while seen as cyclical, is nevertheless essential to the smooth running of many other sectors, offering a one-stop play with exposure to a broad cross-section of international industry.

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