



Methanex Corp. (TSX:MX) Is Embarrassingly Cheap — So Buy It Now!

Description

Methanex Corp. ([TSX:MX](#))([NASDAQ:MEOH](#)) is a Canadian company that focuses on the supply, distribution and marketing of methanol across the world, and is now the world's largest supplier of methanol.

Despite the need for methanol, [weak methanol prices](#) have weighed heavily on Methanex, especially during a market downturn. Since 2018 the stock has been on a downward spiral, with the stock coming down almost 50% between September 2018 and as of writing this article.

However, in the last few days, the stock has jumped, fallen, and jumped back up again, which is mainly due to the announcement of its 1.8 million ton methanol plant in Geismar, Louisiana, or Geismar 3 as it will be adjacent to the existing Geismar 1 and Geismar 2 facilities.

The project is expected to be complete by the second half of 2022 and cost up to US\$1.4 billion.

Shares reached \$56.48 before dropping about 5%, but that looks like it's likely due to investors wanting to cash out on a win. Right after that, investors picked the stock right back up, with Methanex jumping 4% in on July 23.

Investors are likely still a bit wary due to the price of methanol continuing to be so weak. Here's Methanex expanding its base, while low prices continue. However, many analysts have pointed out that this period of weakness is temporary.

U.S. trade tensions with China, Iran, and a fire at the Intercontinental Terminals Company all brought the price of methanol to a crashing halt. Since then, methanol has been slowly, but surely, increasing back to 2018 levels.

Soon enough, the methanol industry looks as if it will rebound as demand [forecasts look strong](#), and new additions are being added to meet that growth.

This is where Geismar 3 comes in for Methanex, as the company hopes to meet that long-term demand and keep its position as a methanol leader.

All that information comes down to one point: Methanex is cheap. The stock trades at \$55 as of writing, but has a Net Asset Value (NAV) of about \$77. That's a potential upside of 40% just to meet fair value!

Looking further into methanol itself, the fuel is a clean-burning, cost-competitive, biodegradable fuel that could one day become the method people use to run their lives, rather than the oil and gas of today.

Methanex, meanwhile, has a 13% annual growth estimate for the next five years. It also has a solid dividend of 3.33% for today's investors, and a five-year history of 98% in dividend growth.

Before the drop in sales and the drop in the worldwide market for methanol due to trade wars, Methanex was seeing some serious gains. Since the last economic downturn, the stock was up 990% in the last decade.

Foolish takeaway

If the last economic downturns are any indication, Methanex is due for a major comeback coming sometime soon. The stock is trading at bargain-basement prices, with a potential for a 40% increase in share price just to get it back to fair value.

If we use now as an indicator, the stock could trade at \$544 in the next decade if we see another growth of 990%, which could make an investment today of just \$5,000 become \$49,454 in just one decade.

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