



This 12% Dividend Stock Pays Cash Every Month

Description

Chemtrade Logistics Income Fund ([TSX:CHE.UN](#)) is a \$1 billion company that's paid out a huge dividend every month for more than a decade. Today, you can earn 12% per year through the dividend alone. While the stock price hasn't budged since 2001, long-term investors have compounded double-digit returns thanks to the payout.

If you're interested in 12% annual returns, learn more below.

Since 2001...

Chemtrade has paid a dividend since 2001. Not many companies can match that record of success. Even more impressive, the yield has *usually* been around 10% or higher. At some points, it even hit 20% or more. In 2009, for example, the share price plummeted to just \$5. What did management do with the \$0.10 monthly dividend? Keep it exactly the same, resulting in a dividend yield of 24%! When Chemtrade commits to a payout, you know it's good for it.

Today, many skeptics wonder about the sustainability of the stock's 12% dividend. Surely this can't go on forever, right? If you're skeptical, you haven't been paying attention. Chemtrade has consistently generated enough free cash flow to deliver on its payout again and again. The current circumstances look no different.

This is important

Before you jump into this [high-yield](#) income stock, there's something you should know: Chemtrade deals with industrial chemicals and services. That means there are often short-term swings in both its input costs and selling prices. This volatility is partially what causes temporary swings in the share price.

Now the more important part: Chemtrade has specifically structured its business in a way to mitigate this volatility. The company focuses on niche specialty chemicals where it's possible to attain dominant

market shares. That's allowed Chemtrade to become the largest producer for many of its products. Sure, there are swings in earnings from quarter to quarter, but over any multi-year period, the company comes out far ahead of expectations.

This strategy is what's allowed Chemtrade stock to consistently rebound from temporary headwinds, all while delivering a reliable double-digit yield. It seems that the market doesn't trust the company to continue delivering, but judging by the last 18 years of history, Chemtrade has earned the benefit of the doubt. Still, you can use the market's doubt to your advantage and scoop up a rare double-digit dividend.

If you're still worried about the dividend, management directly addressed the issue in January when an analyst asked if management would ever slash the payout. "We set it up back in 2007; we see no reason to change it," said CEO Mark Davis. "So is the 10% dividend yield in our view rich? We think actually hopefully that yield will come down as our share price recovers, but we have no current inclination to actually reduce the distribution despite the 10% yield."

This month, another analyst repeated the question, and the answer was the same. "Well, again, as we have said for a number of times we don't see any problem with sustaining our dividend and we plan to actually keep paying it."

As mentioned, the business naturally goes through short-term pains from time to time. CEO Mark Davis believes that the current drought is ready to come to a close. "As I said before," he told investors, "I think that our unit price has been the penalty box for a number of self-inflicted wounds, and once the business performs as we expect it should, we think our unit price will actually recover and we will no longer be paying double-digit yields."

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