



Yield Alert: Lock In This Gigantic 11.5% Dividend by Mid-November

Description

Investors [scouting for high yields](#) can consider a company that has a long history of paying dividends. **Chemtrade** ([TSX:CHE.UN](#)), one of North America's largest suppliers of sulfuric acid and other specialty chemicals, has been paying regular monthly distribution to shareholders since 2007.

The [appeal of the stock to income seekers](#) is its high dividend of 11.5%. For \$10.30 per share, you can lock in on Chemtrade's high yield this month. You can generate a monthly passive income of \$479.16 on a \$50,000 investment heading into 2020.

Backdrop

The business of Chemtrade is highly diversified. This \$953.74 million company started operations in 2001 and provides industrial chemicals and services not only in North America but worldwide.

In addition to sulfuric acid, Chemtrade also supplies spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulfite, and phosphorus pentasulfide. Other industrial services include processing by-products and waste streams.

The company has its production facilities that produce the chemicals. Chemtrade has long-term marketing services and distribution agreements with large customers around the world.

Risk factors

Before investing in Chemtrade, you have to look into its future liquidity to determine whether the dividends are safe and sustainable. The company is dependent on its operating segments for the cash flows.

Chemtrade uses the cash to fund ongoing expenditures in the normal course of business and maintenance capital. And it is from the cash flows that the company can pay dividends and outstanding debts.

Since the cash flows are sensitive to changes in volume, sales prices, and input costs, it could impact future liquidity and earnings. Given this business model, Chemtrade needs to mitigate the risks.

So far, Chemtrade is successful in containing the changes in commodity prices and volumes. Most of the contracts have built-in provisions to protect the company from the fluctuations in volumes and prices.

Another risk is contract renewal, as there is no assurance that clients will automatically renew after expiration. However, the chances of renewal are high, as Chemtrade has established a competitive position in the industry. The company also secures contract extension or renewal due to product and service differentiation.

Business outlook

Chemtrade's perennial concern is the reduction in demand for its products, which could lead to a lower customer base. The company is also ensuring that there would be no supply interruption of products for distribution and importation of raw materials.

Although it's been a tough year, second-quarter earnings beat expectations. Chemtrade expects to end 2019 with an adjusted EBITDA of between \$335 million to \$375 million. The company is selling some assets to bolster its balance sheet, pay down debts, and fund the payouts to shareholders.

You'll get a clearer picture when the company presents its third-quarter earnings on November 6, 2019. If the figures are good and guidance is positive, you can make a firm decision and perhaps make the stock one of your core holdings. The last thing you want to see are weak earnings that could lead to a dividend cut.

CATEGORY

1. Dividend Stocks
2. Investing

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

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