



## Buy This Logistics Stock for its Monster 8% Dividend Yield Going Into 2020

### Description

The stock markets on both sides of the border are frothy at the moment, and smart investors have to work a little [bit harder to search for deep value](#). **Horizon North Logistics** (TSX:HNL) is such a stock, which feels compelling at the moment given its monster 8% dividend yield at the time of writing.

As the name suggests, Horizon North is in the logistics business and has two distinct operating segments: Industrial Services and Modular Solutions. The Industrial Services business provides services, such as workforce accommodation and catering services, to resource development companies, primarily in western and northern Canada. The Modular Solutions business provides residential and non-residential modular construction, primarily in the B.C. market.

Think of modular solutions as factory-produced pre-engineered, pre-fabricated building units that are delivered to the building site and assembled like pieces of Lego. In other words, it's cost-effective construction, which can be very effective in specific situations.

In its heyday of the Western Canadian fossil fuels boom in 2014, when oil prices were \$100 a barrel, Horizon North was a \$10 stock, but its fortunes have largely tracked the oil and gas industry over the past five years, and the stock price has shed almost 90% of its value to land at a much more modest \$1 level.

### Q3 earnings show progress

Horizon North reported Q3 EBITDA of \$8.9 million, above general street consensus estimates of between \$5 and \$6 million. While this was a solid financial performance, investors are still very cautious, given that a meaningful portion of the company's profitability is still linked to the oil and gas markets.

Investors are unwilling to give the company credit for the inroads it has made outside the energy sector, such as its project to design and construct a 119-room modular Marriott Fairfield Inn & Suites in Kitimat, British Columbia. This hotel will be located on the Corporation's Crossroads land parcel in Kitimat, which will support development in the region.

The company has shown that these types of catalysts will ensure that it has opportunities to meaningfully grow its EBITDA and keep its dividend safe, even if it doesn't grow in the short term.

## Senior leadership gives a big vote of confidence

Any time I am unsure about a stock, I always look to share purchases made by senior executives of the company to see if they put their money where their mouths are. To that end, between November 5 and November 8, the chair of the board, Kevin Nabholz, invested about \$100,000 in shares of the company in an open market purchase.

Mr. Nabholz bought a total of 100,000 shares at a share price of \$1, raising his stock holdings to 1,382,000 shares. This is a significant vote of confidence by the biggest representative that shareholders have working on their behalf in the company.

In addition to this open market purchase, other senior executives and board members have also been snapping up shares in the open market at the \$1 mark. This is an important vote of confidence, because these folks are best positioned to understand the company's future prospects, and smart investors should definitely take note.

It is also good to know that various members of the board were granted stock options in the summer at a stock price of \$1.95. At today's stock price, these options are underwater, but they give the board members a good incentive to get the company back into shape.

## Foolish bottom line

The big question here is whether the 8% dividend yield is safe and whether the stock can move up from its \$1 price point. My feeling is that the company won't cut dividends, because it would have a devastating impact on its share price, and the company hasn't signaled its intention to cut in any way.

As for the stock price, investors need to see the company's modular housing division reduce its reliance on the oil and gas industry and start building affordable housing, modular hotels, and other building solutions that can re-position this stock in a different light.

Until then, smart investors should watch very closely and dip their toes in if they feel comfortable with the short-term risk, which could pay off handsomely in the [next few years as the stock turns around](#).

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