



Generate Over \$1,100 in Monthly Passive Income With a \$100,000 Investment

Description

What if there were an easy way to generate over \$1,000 a month in passive income? This payout can contribute towards the payment of utilities, a part of your mortgage, or even a vacation.

No, I am not talking about buying an expensive property that can be rented out for \$1,000 every month. Bonds are also out of the question, as yields are between 1% and 2.5%, and you would require in excess of \$500,000 for a \$1,000 monthly payout. Even real estate investment trusts (REITs) have an average dividend yield of around 5%.

There is an opportunity to invest in high-dividend-yielding stocks. The energy and chemical sectors in Canada are in the midst of a multi-year slump, which means stock prices of several companies have been decimated in recent times. This has resulted in high dividend yields, which can be attractive, especially considering the mouth-watering prospect of capital gains in case the share price bounces back.

Vermilion Energy

Vermilion Energy ([TSX:VET](#))([NYSE:VET](#)) is a Canada-based international energy company. It focuses on conventional and semi-conventional exploration development projects. Vermilion is interested in light oil and liquids-rich natural gas. It manages the acquisition, exploration, development, and optimization of producing properties in North America, Australia, and Europe.

Vermilion sales rose from \$894 million in 2016 to \$1.67 billion in 2018. However, analysts expect sales to rise by 11.9% to \$1.71 billion in 2019 and then fall 3.5% to \$1.65 billion in 2020. This deceleration in revenue growth has meant shares have fallen by a considerable 40.6% in the last 12 months compared to the S&P 500 gains of 23.7%. In the last five years, [Vermilion investors have lost](#) a massive 68%.

The decline has meant Vermilion stock has a forward dividend yield of 14.6%. So, an investment of \$50,000 in the stock will generate annual dividend payouts of \$7,300. Is Vermilion's high dividend yield sustainable?

The company has a debt balance of \$2.05 billion and cash reserves of \$10.23 million. With operating cash flows of \$782 million, it can easily service debt obligation and continue to pay dividends.

Chemtrade Logistics Income Fund

Chemtrade Logistics Income Fund ([TSX:CHE.UN](#)) provides industrial chemicals and services. It generates over 60% of revenue from the United States, around 30% from Canada, and the rest from South America.

As the name suggests, the stock is structured as an income fund. This means investors can expect a monthly dividend payout. The company has been paying monthly dividends since 2001.

Despite the volatility in the chemical sector, Chemtrade has managed to sustain a five-year dividend yield of 8.1%. Now driven by a 26% decline in stock price, the company's forward yield stands at a massive 13.5%.

Chemtrade has a debt balance of \$1.54 billion and with operating cash flow of \$158.67 million, it can continue to pay dividends to shareholders.

Analysts covering Vermilion and Chemtrade are bullish about the companies. The average price target estimate for Chemtrade stands at \$11.53, which is 31.3% higher than the current trading price. Comparatively, Vermilion stock is trading at a discount of 29.4% to consensus target estimates.

It is not advisable to allocate \$100,000 to two beaten-down stocks that might slide further. However, income investors can use this information as a starting point to build a robust portfolio of income-generating investments, which will result in stable and recurring cash flows over the long term.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:CHE.UN (Chemtrade Logistics Income Fund)
3. TSX:VET (Vermilion Energy Inc.)

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