



An Investment of \$10,000 in This TSX Stock Will Yield \$930 in Annual Dividends

Description

Sometimes a stock gets hit in the face with a roundhouse kick and crashes to the floor. **Methanex** ([TSX:MX](#))([NASDAQ:MEOH](#)) is one such stock that has grossly underperformed the broader markets. Just when I thought it was on the cusp of a turnaround, markets turned on their head, resulting in a sustained sell-off.

Global indexes are down close to 30% in just under a month and Methanex shares have fallen almost 50% since [I last wrote about it](#) on January 30, 2020. Methanex is the world's largest methanol producer, a product used across industries. It is used as a building block to produce chemicals such as acetic acid and formaldehyde, which in turn are used in products like adhesives, foams, plywood subfloors, solvents, and windshield washer fluid.

Approximately 45% of the world's methanol is used in energy-related applications. Methanol can be used on its own as a vehicle fuel or blended directly into gasoline to produce a high-octane, efficient fuel with lower emissions than conventional gasoline. It is used widely in China as a methanol gasoline blend. Even with the threat of the COVID-19 and its huge effect on the Chinese automobile market, Methanex shares are in oversold territory.

Can Methanex move higher in 2020?

Analysts tracking the stock have an average target of \$72.18 for Methanex. The lower end of the target is \$32.62. Methanex is currently trading at \$23.55. At the very least, Methanex should go up by 36%, and if Methanex hits its average target in the next 12 months, that's a whopping 215% uptick from current levels!

Methanex is the world's largest producer of methanol, and it has a very wide moat thanks to a robust global supply chain. It produces and supplies methanol in North America, the Asia Pacific, Europe, and South America. It recently reported its numbers for the fourth quarter and full year for 2019.

Its revenues dropped 29% to \$2.78 billion from \$3.93 billion. Earnings fell to \$87.7 million from \$568.8 million. This was majorly due to a lower average realized price compared to 2018. Last year was when

Methanex bore the effects of volatility in the methanol market.

The company projected higher average realized prices in the first quarter of 2020 compared to 2019. Its production forecast in the first quarter is similar to the fourth quarter of 2019. Methanex also forecast adjusted EBITDA in the first quarter to be similar to the fourth quarter of 2019, which is around \$136 million.

However, with coronavirus showing no signs of abating, it is unlikely that the company will meet its targets. That doesn't take away anything from the company's fundamentals. The company's expected maintenance capital expenditures for 2020 are estimated to be approximately \$150 million.

Methanex announced its quarterly dividend payout of \$0.36 a share, which represents an annualized dividend of \$1.44. That's a yield of a mouth-watering 9.3%. If you invest \$10,000 in this stock, the annual dividend payment will amount to \$930.

The stock is trading at a forward price-to-earnings multiple of 11.5, which is an absolute bargain looking at the company's earnings forecast of 37.6% for 2020.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NASDAQ:MEOH (Methanex Corporation)
2. TSX:MX (Methanex Corporation)

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