



This 10.5% Dividend Stock Pays Cash Every Month

Description

Income investors can look to buy stocks that pay a monthly dividend and generate a steady stream of cash flow. One such company is **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](https://www.scribd.com/document/444444444/TSX-CHE-UN)), a \$530 million entity with a tasty dividend yield of 10.5%.

Chemtrade operates a [diversified business](#) and provides industrial chemicals and services to customers in North America. It is one of the largest suppliers of sulfuric acid, spent acid processing services, inorganic coagulants for water treatment, and other industrial solutions.

Chemtrade obtains products from its facilities and distributes them to customers via long-term marketing services agreements. The company also provides services such as processing by-products and waste streams.

Chemtrade focuses on niche specialty chemicals where it is easier to dominate the market, allowing the company to become a leading producer for several products.

While Chemtrade's business model is intended to mitigate the changes in commodity prices, industrial volumes would impact its revenue and earnings. This is one of the reasons why the stock fell by a massive 50% since January 2020.

Chemtrade has been paying a dividend since 2001

Chemtrade has paid a dividend to investors since 2001 and even continued payouts during the financial recession of 2008-09. Chemtrade's dividend yield, in fact, inched cover 20% when its price slumped during the last recession.

However, due to the ongoing pandemic, several industries were under lockdown which led to a dividend cut by Chemtrade. The company reduced its monthly payouts by 50% from \$0.10 per share to \$0.05 per share.

While Chemtrade consistently generates enough free cash flow to sustain its payout, it also remains

vulnerable to industry-wide risks. Further, there are also commodity price swings that may impact enterprise demand for Chemtrade.

However, over a multi-year period, Chemtrade has managed to consistently rebound from temporary headwinds and maintain its dividend payout.

In July 2020, Chemtrade announced the commencement of its Distribution Reinvestment Plan (DRIP). According to this plan, unitholders can elect to reinvest all or a portion of their regular monthly distributions in additional trust units of Chemtrade. The unitholders will not be charged any commissions or brokerage fees under this plan.

Chemtrade is undervalued at the current price

In the second quarter, Chemtrade sales were down 12.4% year-over-year at \$347.53 million. Its adjusted EBITDA fell 17% to \$75.5 million. The company's sales were impacted due to lower sales volumes and lower selling prices of commodities.

Analysts tracking the company forecast sales to touch \$1.41 billion in 2020, a 7.8% year-over-year decline. Sales growth is expected to accelerate to 7% in 2021. Chemtrade stock is trading at a forward price to sales multiple of 0.4 and a price to book multiple of 0.8, making it extremely attractive to value investors.

The Foolish takeaway

As stated by [Fool contributor Mat Litalien](#), Chemtrade's dividend seems well covered by operating cash flow (around 34%). But the payout ratio jumps to 85% when you account for free cash flow.

Chemtrade is one of the highest yielding stocks on the **TSX**. However, investors need to tread carefully given the company's historical performance which does not make Chemtrade a reliable long-term bet.

Chemtrade stock has lost 70% in market value since October 2017 and remains unattractive despite its cheap valuation and juicy yield.

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