



Buy Alert: This TSX Stock Has Gained 170% Since May

Description

Every so often, a stock comes across your way that is a screaming buy but is not flashy enough, and so is not covered like other popular stocks. One such company is Canada-based **Methanex** ([TSX:MX](#))([NASDAQ:MEOH](#)). Let's take a look at the company's stellar turnaround in the last few months and if the stock remains a buy for 2021.

Huge moat for Methanex

Methanex stock has risen 162% [since I recommended it](#) on May 4, 2020. Since then, I have written about the stock four more times, always with a buy recommendation, and the stock hasn't disappointed. It was trading at \$22.16 on May 4 and is currently trading at \$59.72.

The biggest unique selling point about Methanex is its moat. It is the world's largest producer and supplier of methanol. It has a global distribution network, and it has customers on six continents. Methanol is used as an ingredient in manufacturing everyday products like building materials, foams, resins, plastics, paints, polyester, and a variety of health and pharmaceutical products.

Q3 results and the future

The company recorded an adjusted net loss of \$79 million, or \$1.03 per share, in the third quarter of 2020, which ended on September 30. This loss was due to a one-time charge of \$15.4 million, as Methanex repaid its \$250 million unsecured notes earlier than the due date of March 2022.

Methanex says global methanol demand increased by around 9% in Q3 2020 compared to Q2, fuelled by demand in the automotive and construction industries. However, global demand was 3% lower than the corresponding period of 2019.

The company's North American price for Methanol increased by 13% to \$379 per tonne recently, and its Asia Pacific price increased to \$310 per tonne. These figures are important, because Methanex says, "every \$10 increase in our average realized price translates into approximately \$60 million

increase in adjusted EBITDA on an annual basis.”

Methanex has put its ambitious Geismar 3 project on hold. It has deferred \$500 million of capex on the project. It says, “Construction on the Geismar three project remains on hold, and the various factors today do not currently support restarting construction.”

Methanex has always preferred to walk the conservative road when it comes to guidance, and this time it is no different. The company said it expects to see demand recovery in Q4, but it could be impacted by sudden slowdowns.

The Foolish takeaway

There is little chance that any other company can derive the kind of advantage Methanex has because of its scale. As world economies open up, methanol demand is going to rise, and Methanex stock price will rise as well.

“Methanol is a key chemical building block that is used to produce a variety of everyday consumer and industrial items. Methanol is also used in a growing number of clean burning and economic alternative energy applications. We expect that demand for methanol rebound and grow as global economic activity recovers,” said Methanex president and CEO John Floren on the [Q3 earnings call](#).

Analysts have given the stock a target of \$72.18 — an increase of over 20% from current levels. For the last time in 2020, I recommend a buy on this stock.

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