



1 TSX Stock to Double Your Money in 2021

Description

Methanol is a chemical produced from natural gas and coal. Approximately 57% of methanol is used to produce traditional chemical compounds, including formaldehyde, acetic acid and a variety of other chemicals that form the basis of a large number of chemical compounds for which demand is influenced by levels of global economic activity.

The remaining 43% of methanol demand comes from a range of commodity-related applications. These include methyl ethers, methanol blended gasoline, biodiesel, industrial boilers and marine fuel.

Methanex ([TSX:MX](#))([NASDAQ:MEOH](#)) is the world's [largest producer and supplier of methanol](#) to the major international markets in Asia Pacific, North America, Europe and South America. The company's total annual production capacity, including production as part of joint ventures, is 9.6 million tonnes. Production plants are located in New Zealand, United States, Trinidad, Egypt, Canada and Chile.

The company has a forward price to earnings ratio of 34.84, price to book ratio of 3.06, dividend yield of 0.37% and market capitalization of 3.7 billion. Debt is managed well at Methanex, as evidenced by a debt to equity ratio of 2.22.

Methanex also purchases methanol produced by other companies under methanol off-take contracts and on the spot market, giving the company flexibility for supply chain management and preparing it for an unexpected surge in demand. Methanex has marketing rights for 100% of the production from the jointly-owned plants in Trinidad and Egypt, which provides the company with an additional 1.3 million tonnes per year of methanol off-take supply when the plants are operating at full capacity.

Methanex supplies about 14% of the world's methanol consumption and is the only global supplier with a significant presence in all major continents. From a demand perspective, the methanol industry is highly competitive. Methanol is a global commodity and customers base their purchasing decisions primarily on the delivered price of methanol and reliability of supply.

Methanex's ability to withstand price competition and volatile market conditions depends on the company's position on the industry cost curve, cost and availability of natural gas or coal feedstock, and the efficiency of production facilities and distribution systems.

The company's methanol assets are low cost and most natural gas supply is backed by medium to long-term contracts that feature a fixed base price of gas and a variable component that is linked to the price of methanol. This contractual structure allows Methanex flexibility in periods of low methanol pricing, mitigating exposure to fluctuations in methanol price.

Methanex's ability to service customers globally in a reliable and cost-effective manner due to the company's vast distribution system makes it well positioned to compete in international methanol markets. Short-term declines in methanol prices will occur periodically and the company manages costs effectively during a crisis. The company's average realized price has been declining and is now about \$272 dollars per tonne.

The company's primary objective is to create value by maintaining and enhancing [Methanex's leadership in the global production](#), marketing and delivery of methanol to customers. To achieve this objective, Methanex is focused on low cost production and operational excellence. This focus should serve long-term shareholders well.

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1. Investing

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