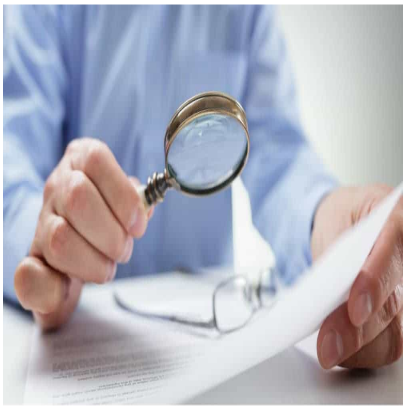

Why Methanex Stock Is an Intriguing Growth Play Right Now

Description

Among the growth plays investors have lost interest with in recent years is **Methanex** (TSX:MEOH)(NASDAQ:MEOH). This is a stock that went from more than $100 per share in 2018 to around $15 per share last year during the height of the pandemic. However, over the past year and a half, Methanex stock has rebounded nicely.

Indeed, this key player in the production and distribution of methanol has finally started to see investor interest pique.

Let’s dive into what may drive continued growth with Methanex from here.

Excellent fundamentals for this growth play

Methanex stock is one of the go-to investments for those bullish on the direction the energy sector is headed. As a key provider of methanol, Methanex stands to benefit from an exceptionally tight methanol market. Regional spot prices have breached new highs of late. Persistent supply chain disruptions along with robust demand is resulting in surging global feedstock costs.

Methanex not only produces the vast majority of its methanol, but it also leases and owns terminals and storage facilities, as well as 30 ocean-going vessels. In times of high demand like this, the company can also use offtake contacts to buy methanol generated by other organizations. This has positioned the company well for cash flow growth.

Indeed, Raymond James analyst Steve Hansen has projected that Methanex will be producing decent excess free cash flow in the near term. This is considering that “the buoyant methanol price backdrop” is anticipated to persist through the year’s second half.

I agree. As far as growth play with robust secular catalysts go, Methanex stock is one I think can outperform from a fundamentals basis from here.

The cash flow can eventually reignite the stock's buyback as early as 1Q22.

But why is Methanex stock so cheap?

One of the intriguing aspects about Methanex stock I think is worth considering is the company's valuation. Relative to previous periods of heightened methanol prices, Methanex stock trades at roughly half of its previous valuation.

Indeed, value-conscious individuals may want to consider Methanex stock at such a steep discount.

Sure, growth investors may be more hesitant to jump in feet first into a company dependent on the energy sector. What happened last year was a wakeup call for many investors.

However, the outlook for the probability of a renewed NCIB is improving, and the prices of methanol are staying firm. This seems to indicate a valuation decoupling in a positive way for investors seeking true value in today's market.

The company's EV/EBITDA ratio remains attractive at around 13 times. Additionally, this is a stock with strong momentum. If the company's valuation multiples go back to historical levels, Methanex stock could run much further from here.

Bottom line

Methanex stock isn't without risk. However, this is a company with an attractive risk/reward relationship that I think growth investors should consider right now.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. chrismacdonald
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date
2025/07/08
Date Created
2021/10/04
Author
chrismacdonald