



1 High-Yield, Passive-Income Stock on a New Growth Path

Description

If **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)) is known for anything, it's known for its high dividend yield. The passive-income stock offers Motley Fool investors a yield of 7.68% as of writing. A high yield that's been supported for years, with writers supporting it as a dividend stock again and again.

But one analyst gave would-be investors another reason to support the passive-income stock. And that's because of its new path towards [major growth](#).

What happened?

Desjardins Securities analyst Gary Ho announced Tuesday the company started pivoting towards creating organic growth this year. This couldn't come at a better time, as Chemtrade looks to benefit from the economy reopening, with high demand for ultra-pure acid and hydrogen.

But this new growth path, spear-headed by new CEO Scott Rock, looks quite positive for the company. Chemtrade already looked to create operational efficiencies, but now it's wanting more than just a name as a high-yield, passive-income stock.

What changed?

Given the passive-income stock was already fairly recession resistant, the company remained in a strong position during the pandemic. Now, there is an enormous demand for semiconductors — growth that could double in the next five years. This growth would fuel Chemtrade's need to create ultra-pure acid for semiconductor use.

Furthermore, the commercialization of green hydrogen looks promising as well for the company, according to Ho. Could this with the operational efficiencies saving a target of \$10 million per year, and this could be the turning point that Chemtrade needs to create enormous growth.

Great expectations

The average estimate on the Street for the passive-income stock is to create first-quarter EBITDA of \$77 million. This could be supported from the electrochemical segment and the further reopening of the economy. So, that's great in the near term, but long-term opportunities abound.

The largest ones is certainly the ultra-pure acid and hydrogen opportunities. The change in management seems to be working quite well for the company. Meanwhile, you can pick up the passive-income stock with that still ultra-high 7.68% yield today.

Given that the stock remains at just \$8 per share, that yield should be [locked in quick](#). Currently, it has a target price of \$9.50 by Ho and \$9.39 at consensus analyst estimates. Shares are down 57% in the last five years but up 9% year to date.

Foolish takeaway

Chemtrade has long been known as a passive-income stock with plenty to spare. But its shares have left a lot wanting over the last five years, as you can see. The shift to a new CEO and new path towards solid, sustainable growth should have potential Motley Fool investors quite excited.

There is growth from ultra-pure acid and hydrogen, along with efficiencies added in. There is growth from the economy reopening as well. And this may only be the beginning. With the stock trading at just 2.15 times book value, it offers value that is unmatched as a passive-income stock.

And to get you started, even with shares remaining stagnant, a \$10,000 investment would bring in \$743 every year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

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. alegatewolf
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/07/01

Date Created

2022/04/19

Author

alegatewolf

default watermark

default watermark