



Dividend Stocks: Here's a Diamond in the Rough Yielding Over 6%

Description

Dividend stocks – we rely on them for income. We also rely on them for stability and downside protection. In fact, dividend stocks have subsidized investors' income since forever, leaving a lasting legacy of protection from market turmoil. The trick, of course, is finding the best dividend stocks in Canada that will be resilient and dependable no matter the economic environment.

Chemtrade Logistics Income Fund ([TSX:CHE.UN](#)) is a \$1.1 billion global supplier of industrial chemicals. It's yielding a very generous 6.2%, and rapidly improving fundamentals have made this dividend stock quite attractive today. Please read on to determine if this diamond in the rough is a good investment for you.

Record results for this dividend stock

Chemtrade Logistics has had a good year. In fact, it's had a great year, delivering record results and raising guidance for three consecutive quarters. This has definitely piqued my interest. But before we get ahead of ourselves, let's review the business.

Chemtrade provides industrial chemicals and services to a diversified list of industries. Industries such as the oil and gas industry rely on industrial chemicals. For example, gasoline and motor oil rely heavily on chemicals such as regen acid. Also, the electronics and semiconductor industries rely on Chemtrade's supply of UltraPure Sulphuric acid for their manufacturing processes.

So, as we can see, Chemtrade's industrial chemicals play a big part in many of today's booming industries. In turn, this has resulted in strong demand and industry fundamentals for Chemtrade. Revenue in the company's latest quarter increased 42%, adjusted EBITDA increased 104%, and distributable cash increased 327%.

As a result of this strong performance, Chemtrade has once again increased its guidance by approximately 15%.

A very generous dividend Yield

If you're like me, you've been looking for attractive yields for some time now. With the prospects for capital gains in the equity market seemingly dimming, we must now turn to a yield strategy. This means focusing on cash dividend payments to monetize returns today.

Chemtrade's 6.2% yield is an attractive place to turn to for this. While the industrial chemical supplier is not very well known, it has an [attractive valuation](#). Also, while the company suffered net losses in 2021, it has recovered nicely in 2022. Furthermore, cash flows have been and continue to be very strong. For example, its cash flow from operations increased 45% from 2017 to 2021. And its most recent quarter's operating cash flow increased more than 100%. Interestingly, the stock is trading at a mere seven times cash flow.

All of this is supporting Chemtrade's dividend payments. In short, I think that this yield is safe and reliable. In fact, it may even be one of the best dividend [stocks in Canada](#).

Strong market fundamentals

Lastly, I think a few words on the company's industry fundamentals are in order here. In the last year, we've seen a shift in market fundamentals. Essentially, demand for Chemtrade's chemicals is strong, as is pricing. This is supported by a robust oil and gas industry, which continues to see strong refinery utilization. It's also supported by increasing semiconductor production capacity in North America. But it isn't only the demand side that's looking attractive.

On the supply side, certain chemicals have been hit hard by rising energy prices in Europe. This means that overseas competitors are passing on these costs to their customers, effectively raising global pricing. Chemtrade, on the other hand, has access to low-cost electricity. It is therefore benefitting greatly from rising selling prices without the corresponding increase in costs.

Finally, Chemtrade's chemicals for the water treatment business are also expected to grow steadily as these chemicals are non-discretionary, and water remains one of the most valuable and needed assets today and for the future.

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