3 Stocks to Buy on Weakness

Description

Freehold Royalties Ltd. (TSX:FRU)

Freehold is trading 5.4% lower than it was at the beginning of the year, despite the fact that this year has been good to the company and its investors.

First-quarter 2017 results were better than expected and quite strong, reflecting increasing activity and a higher commodity price deck versus a year ago. Production increased 7%, the company's price realization increased 57% to $34.88 per barrel of equivalent oil (boe), and the company's netback increased 74% to $32.31 per barrel of equivalent oil.

Furthermore, the company instituted a 25% dividend increase early this year and is now paying $0.60 per share in annual dividends. This represents a dividend yield of 4.49% and a payout ratio hovering in the 60% range, which is at the low end of the company's targeted 60-80%.

If we believe that the price of oil is headed higher or will even stay in this territory, then it would be reasonable to think that Freehold's dividend will be increased again. If, however, the price of oil drifts lower, the company still has room to maneuver to keep its dividend where it is. The point is that the downside is not as extreme as other oil and gas companies' downside due to its business model.

Freehold will report second-quarter results on August 9.

Uni-Select Inc. (TSX:UNS)

Uni-Select is trading 5.4% lower than the beginning of the year and 16.3% lower than the beginning of 2016.

While the company has seen a slowdown in organic growth in this period, it has begun to recover in the latest quarter. The company still has lots of growth ahead, especially in the paint and materials segment. This market remains highly fragmented and ripe for consolidation as three-quarters of it is made up of very small competitors.

Uni-Select has an excellent track record of making acquisitions, and I would expect it to be a consolidator in this market as it has been in the automotive parts market.

Uni-Select will report second-quarter results on July 27.

Exco Technologies Limited (TSX:XTC)

Exco is trading 14.5% lower than last year, yet the last year has included top-notch results: strong cash flow generation, revenue growth, and earnings growth. The second quarter of 2017 saw Exco report a 15% increase in sales, a 39% increase in EBITDA, and a 43% increase in EPS.

The company increased its dividend by 14% in the first quarter. In fact, the company has a really strong history of dividend increases. Since 2012, the dividend has grown at a cumulative average growth rate of 18% from $0.14 per share in 2012 to $0.32 currently. The dividend yield currently stands at 2.92%.

Exco will report second-quarter results on August 3.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:UNS (Uni-Select)
3. TSX:XTC (Exco Technologies Limited)

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