



The #1 Dividend Stock Investors Should Buy Right Now

Description

Considering the current investing environment, it appears that investors have turned their attention to growth stocks more than [dividend plays](#). Indeed, finding a high-quality dividend stock that also provides excellent growth potential is difficult to do.

However, it's not impossible. On the TSX, there happen to be a few great options for investors to consider. One such option I like right now is **Freehold Royalties** ([TSX:FRU](#)).

Let's dive into why this could be a great long-term pick for Foolish investors right now.

A dividend stock with a mouth-watering yield

Freehold Royalties has managed to increase its dividend yield more than twice since the start of 2021. Thus, this Calgary-based company has almost recouped the dividend level it had before the pandemic-induced economic crisis. Now, it is offering \$0.05 per share/month in comparison to the pre-COVID level of \$0.0525 a share/month. At the time of writing, Freehold Royalties has a [dividend yield](#) of more than 6.2%.

That's hard to find in the market today. And for a royalty company, this sort of yield is pretty incredible.

Freehold's cash flows are extremely stable. As a company generating royalty-based revenue from financing various oil and gas projects, among others, this company's cash flows have taken off. Oil prices are up, which means production is up for Freehold's client base. More barrels produced means more royalty revenue for Freehold.

Accordingly, investors looking for exposure to commodities ought to consider companies like Freehold. Indeed, I view royalty plays as superior indirect ways to gain exposure to specific sectors, with less operational risk. These are asset-light business models, with favourable margins and fundamentals.

It's also worth considering that over the past 24 years, Freehold Royalties has paid dividends worth more than \$32 per share. These dividends have been very stable, with only a few temporary

reductions. Accordingly, for a dividend stock trading at sub-\$10 per share, this could be a multi-decade winner for long-term investors.

Bottom line

Freehold Royalties is a dividend stock with growth potential. The company's portfolio of royalty streams south of the border is rapidly expanding. Accordingly, I view this stock as one of the safest ways to play the energy space, while picking up a +6% yield.

Yes, risks exist to Freehold's business model. Various commodity price concerns as well as the financial health of the oil & gas sector should be taken into consideration. However, for the time being, Freehold is one dividend stock in the sweet spot of the market.

I'm generally bullish on the energy sector right now. Accordingly, Freehold Royalties is one dividend stock on my radar right now.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. TSX:FRU (Freehold Royalties Ltd.)

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