A 4.8% Dividend Stock That Could Double in November

Description

Canada's main stock index surged again to start the week of November 8, 2021. There were no new lows on Monday, but the TSX had 25 new 52-week highs. Total volume reached 45.19 million shares. The 21,556,54 closing pushed the index's year-to-date gain higher to 23.65%.

The healthcare sector had the most significant percentage advance with +8.03%, although the energy sector continues to lead the way with an 86.06% gain thus far in 2021. Besides the jump in oil prices, the passage of the US$1 trillion infrastructure bill in the United States buoyed investors' sentiment.

Canadians with investment appetites can take advantage of the rising market and snag the best deals. With the red-hot performance of the energy sector, the share price of one dividend stock could double this month. **Freehold Royalties** (TSX:FRU) extended its year-to-date gain to 152.51%. Also, at $12.62 per share, the royalty stock's trailing one-year price return has been 204.10%.

A $10,000 investment in Freehold a year ago would be worth $31,788.41 today. The strong buy ratings of market analysts indicate the upward momentum is likely to continue. In the last 20 years, the royalty stock's total return is 764.18% (11.38% CAGR).

Logical choice

Most of the top 100 stocks in 2021 are constituents of the energy sector. **Baytex Energy**, **Crew Energy**, and **NuVista Energy** are among the names with outsized gains. However, if you want a compelling upside while receiving recurring income streams, Freehold Royalties is a better buy. The $1.86 billion oil and gas royalty company pays a lucrative 4.86% dividend.

Tax-Free Savings Account (TFSA) investors should also find this dividend stock attractive. Holding $6,000 worth of Freehold shares in your TFSA will produce $291.60 annually in tax-free passive income.

Investment thesis

Industry experts agree that Freehold benefits from the rising demand for and prices of oil. Other market observers say the upside is just starting. Freehold acquires royalty lands and manages royalties. The size of its land holdings is over 6.7 million gross acres.

Currently, more than 300 industry operators pay royalties to Freehold. Apart from managing royalties, Freehold has working interests in oil and natural gas properties. The share capital on these properties is less than 1% of the total operating income. Moreover, capital costs to drill and equip the oil-producing wells are for the accounts of the operators.

Freehold's land base in the U.S. is growing, as it continues to acquire high-quality royalty assets. It acquired Midland Assets in October, following two completed transactions in September.

Investors were impressed with the financial results in the first half of 2021. Freehold's royalty revenue grew 99% to $81.67 million versus the same period last year, while net income was $18.18 million. It was a remarkable turnaround considering the royalty company incurred losses of $14.43 million in the first half of 2020.

Growth-oriented royalty footprint

In the back half of 2021 and beyond, expect Freehold to deliver a growth-oriented royalty footprint. According to its president and CEO David Spyker, Freehold's realized pricing outpaced the increase in benchmark pricing. He added that the improved and improving economic conditions are very favourable for the energy industry. With everything said, the current share price is a good entry point.

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