



TFSA Income Investors: Time to Buy Russel Metals Stock?

Description

Russel Metals ([TSX:RUS](#)) is down in recent weeks despite posting strong Q1 results. TFSA investors who missed the big rally off the pandemic crash are wondering if this is a good time to add the stock to their portfolios focused on passive income.

Russel Metals overview

Russel Metals is a metals distribution company in Canada and the United States. The business operates in three core segments:

- Metals service centres
- Steel distribution
- Energy products

The metals service centres provide manufacturing and construction clients with hot rolled and cold finished steel, pipe products, tubular products, aluminum, stainless steel, and other specialty metals.

Steel distribution involves selling steel on large wholesale orders to other steel services centres or large equipment manufacturers.

The energy group provides the oil and gas industry with products designed specifically for the sector.

Russel Metals Q1 2022 results

Russel Metals generated record revenue of \$1.34 billion in the first three months of 2022, compared with \$885 million in the same period last year. EBITDA came in at \$153 million, compared with \$129 million in Q1 2021. Russel Metals earned \$1.56 per share in the quarter, up from \$1.29 in the first quarter a year ago.

All three of the business segments delivered solid results to start the year. Metal service centres shipped 13% more product compared with the previous quarter. The steel distributors managed to

satisfy strong client demand despite challenging conditions and benefitted from supply disruptions in the global steel industry. Energy products continue to see a recovery in demand as the oil and gas sector starts to channel more cash to exploration and development.

Russel Metals maintains a strong balance sheet with total available liquidity of \$457 million at the end of the quarter.

Steel market situation

Management expects steel prices and margins to remain above historic levels in the near term. The rebound in demand from the energy sector is picking up momentum, and the metals service centres group continues to see strong demand thanks to the rebound in economic activity after the pandemic crash.

Dividends

Russel Metals pays a quarterly dividend of \$0.38 per share. Investors have received a distribution every three months for more than 20 years.

At the time of writing, the stock trades near \$31 per share and provides a yield of 4.9%.

Should you buy Russel Metals stock now?

Steel prices can be volatile and the stock has a history of going through significant ups and downs that follow the commodity cycles, so it might not be the best investment for those seeking long-term capital appreciation.

That being said, Russel Metal is an attractive stock for dividend investors who don't mind riding out the downturns. The company has demonstrated its ability to maintain the generous payout in difficult times, so dips in the stock price can be used to add to the position.

The share price is currently off the 12-month high above \$37. Additional weakness is possible in the coming weeks if the broader market extends its correction, but the latest dip should be a decent entry point for income investors. The outlook for the steel market remains positive, and you get paid well to wait for the next bounce.

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Date

2025/06/28

Date Created

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