Stelco vs. Russel Metals: Which Is the Better Buy in June?

### Description

The **S&P/TSX Composite Index** moved down 190 points on May 31. Global commodities have been on an impressive run since the beginning of 2021, as the economy has been on the rebound. The **S&P/TSX Global Base Metals Index** fell 2.2% in the same trading session. Today, I want to compare two top metals companies: **Stelco** (TSX:STLC) and **Russel Metals** (TSX:RUS). Which is the better buy in early June? Let's dive in and find out.



## Here's why Stelco looks dirt cheap in the beginning of June

Stelco is a Hamilton-based company that is engaged in the production and sale of steel products in Canada, the United States, and around the world. Its shares have dropped 1.4% in 2022 as of close on May 31. The stock is still up 15% in the year-over-year period.

This company released its first-quarter 2022 results on May 5. It reported total revenue of $906 million — up 36% compared to the first quarter of 2021. Meanwhile, operating income soared 128% from the prior year to $381 million. Stelco posted adjusted EBITA of $402 million and adjusted net income of $268 million — up 117% and 86%, respectively, from the previous year. The company has thrived in the face of strong steel prices and improved operational efficiency.

Shares of Stelco possess a very attractive price-to-earnings (P/E) ratio of 1.8. It currently offers a quarterly dividend of $0.30 per share. That represents a 3% yield.

## Russel Metals is discounted and offers a nice dividend

Russel Metals is a Toronto-based metal distribution company. Shares of this metals stock have dropped 4.6% in the year-to-date period as of close on May 31. That has pushed Russel Metals stock into negative territory in the year-over-year period.

Investors got to see the company's first batch of 2022 earnings on May 3. Russel's revenues rose to $1.33 billion compared to $885 million in the previous year. Meanwhile, it reported EBITDA of $153 million — up from $129 million in the first quarter of 2021. The company delivered growth in each of its operating segments to kick off the 2022 fiscal year. Better yet, metals service centres experienced a strong uptick in tonnes shipped even in the face of bad weather and the lingering pandemic.

Russel Metals stock last possessed a very favourable P/E ratio of 4.4. It is trading in far better value territory compared to its industry peers. Moreover, it offers a quarterly dividend of $0.38 per share. That represents a very solid 4.7% yield.

## Which is the better buy today?

Steel prices have eased up in the first half of 2022. However, market conditions remain favourable for both companies. Stelco and Russel Metals both offer very attractive value at the time of this writing. This is a very close call, but I'm looking to snatch up Russel Metals between the two for its superior dividend and impressive diversification. However, investors need to keep an eye on potential economic turbulence. Some experts fear a recession may be on the horizon, which could significantly disrupt the global commodities space.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. TSX:RUS (Russel Metals)
2. TSX:STLC (Stelco Holdings Inc.)



**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

**PP NOTIFY USER**

1. aocallaghan
2. kduncombe

**Category**

1. Investing

**Date**
2025/08/13
**Date Created**
2022/06/04

**Author**
aocallaghan