1 Canadian Oil Stock (With Hot Monthly Dividends) to Buy Now and Hold Forever

Description

Commodity prices across the board have witnessed healthy correction in the last couple of months after surging for several months in a row. The WTI crude oil futures prices have corrected by nearly 25% in the last two months, trimming gains of some high-flying oil stocks. Nonetheless, Canadian investors may consider buying some of these fundamentally strong energy stocks on the dip to hold them for the long term.

While most of these stocks from the oil and gas sector pay attractive dividends, I'll highlight one Canadian energy stock in this article that I find undervalued right now that also rewards investors with very attractive monthly dividends. You may consider including this reliable energy stock in your portfolio and hold it as long as you want.

One top monthly dividend stock to own in Canada today

Freehold Royalties (TSX:FRU) is a Calgary-based energy company with a market cap of about $2.1 billion. Despite losing nearly 17.6% of its value in the last couple of months, its stock currently trades with 17% year-to-date gains at $13.69 per share. Its year-to-date performance is still far better than the broader market, as the **TSX Composite** benchmark has seen a 7.3% value erosion in 2022. As its name suggests, this energy firm mainly focuses on making quality acquisitions of oil and natural gas royalties and managing them to boost its financial growth.

Solid financial performance recovery

In 2020, Freehold Royalties, just like most other oil and gas companies, faced several operational challenges due to COVID-19-related restrictions. As a result, its total revenue fell 36.1% YoY (year over year) to $90 million that year. Similarly, the global pandemic-driven sudden drop in the demand and prices of energy products affected its bottom line. As a result, the company reported $13.9 million in adjusted net losses in 2020.

Nonetheless, its financial performance improved significantly in the first half of 2021, as reopening economic activities increased the demand for oil and gas. To accelerate its demand further, the company aggressively focused on new quality acquisitions in the year's second half. These acquisitions and strong activity levels were two key reasons that Freehold Royalties posted record average production levels in the fourth quarter of the year. With higher production, Freehold Royalties revenue in 2021 jumped by 129% YoY to $206.2 million. Similarly, a stronger price environment helped it post $0.53 per share in adjusted earnings, exceeding analysts' estimates.

In the ongoing year, Street expects the Canadian energy company's revenue to nearly double on a YoY basis. Analysts expect this solid expected topline growth to help the company post $1.41 earnings per share in 2022, reflecting an outstanding 166% YoY growth.

A great stock for monthly passive income for Canadian investors

Interestingly, after posting solid 2021 financial results, Freehold Royalties announced a 33% increase in its dividends. With this, the oil company currently has a solid dividend yield of around 7.1% and distributes its dividends on a monthly basis, which should help Canadian investors receive reliable passive income each month. As Freehold Royalties aims to continue expanding its business across North America in the coming years, its robust cash flows will help it increase its dividends further.

Foolish bottom line

Given these outstanding company fundamentals and overall strong energy demand outlook for the long term, it could be a good idea for investors to consider buying Freehold Royalties after its recent dip. On the one hand, this Canadian dividend stock has the potential to yield outstanding returns in the long run. On the other hand, it will help you generate handsome passive income each month from the day you buy it.

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