



Canadians: Why Freehold Royalties (TSX:FRU) Is the Ultimate Income Stock

Description

The **S&P/TSX Composite Index** plunged 299 points on Friday, August 26. Canadian markets performed poorly alongside the bloodbath that occurred in United States markets to close out the last full week of August 2022. Investors may want to consider switching up strategies in this [turbulent market](#). One option is to pursue an income-oriented approach. Canadian investors can commit to churning out consistent income instead of chasing capital growth. **Freehold Royalties** ([TSX:FRU](#)) is one of the [best income stocks](#) available on the TSX right now.

This stock has thrived along with the rest of the oil and gas sector

Freehold Royalties is a Calgary-based [oil and gas royalty company](#). It owns working interests in oil, natural gas, natural gas liquids, and potash properties in Western Canada and the United States. Freehold struggled mightily in the late 2010s before bottoming out during the March 2020 market pullback. However, it has regained momentum on the back of rising prices in the oil and gas sector this decade.

Shares of Freehold Royalties have climbed 21% in 2022 as of close on August 26. The stock is up 52% in the year-over-year period. That capital growth has been a big bonus, as investors will snatch up Freehold Royalties for its income generation, and with good reason. This stock is designed to consistently reward its shareholders with steady and strong income over the long term.

Why Freehold Royalties is the best stock for income investors

This energy stock unveiled its second-quarter fiscal 2022 earnings on August 9. It delivered funds from operations of \$83.8 million — up 109% from the previous year. Meanwhile, funds from operations per share jumped 81% to \$0.56. Freehold Royalties thrived on the back of improved production. Freehold Royalties reported total production of 13,453 barrels of oil equivalent per day — up 21% from the prior year. Meanwhile, netback per boe/d jumped 98% to \$78.80.

The company delivered its third straight record funds from operations. That was powered by improved oil and gas sector performance and the impressive execution of its North American strategy. Management sought to bolster Freehold's asset base to the premier basins across North America, according to the president's second-quarter statement.

Freehold Royalties was able to improve the sustainability of its cash flow profile. That is the fuel that powers the stock's dividend payments. Most importantly in Q2 2022, Freehold Royalties delivered cash flows from operations of \$75.4 million — up from \$40.2 million in the second quarter of 2021.

How does Freehold Royalties stock look today?

Shares of this dividend stock currently possess a favourable price-to-earnings ratio of 13. The strong quarter and first six months of fiscal 2022 spurred Freehold to increase its monthly dividend by 13% to \$0.09 per share. That represents a monster 7.3% yield. Canadian investors on the hunt for consistent income in this turbulent environment should feel good about stashing Freehold Royalties in 2022 and beyond.

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aocallaghan

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