



This Value Stock Offers Huge Passive Income in 2023

Description

The **S&P/TSX Composite Index** finished Wednesday's trading session in the red. High interest rates have continued to put pressure on investors. Today, I want to zero in on a [value stock](#) that is worth targeting in this environment. **Freehold Royalties** ([TSX:FRU](#)) is a Calgary-based oil and gas royalty company that owns working interests in oil, natural gas, natural gas liquids, and potash properties in Western Canada and the United States. Investors can also churn out passive income from this cheap stock. Let's jump in!

How has this value stock performed over the past year?

Shares of Freehold Royalties have climbed 18% year over year as of close on February 8. The stock has increased 4.7% so far in 2023. Foolish readers who want more details can play with the interactive price chart below.

Here's why Freehold Royalties is one of my favourite passive-income targets

Freehold Royalties is unique in its commitment to rewarding its shareholders with consistent passive income. It has maintained a strong balance sheet and cash flow that support its dividends. Indeed, Freehold Royalties has one of the most impressive track records in the energy space.

On January 16, the company published its sustainability report. This company remains focused on delivering for its shareholders while also meeting the green energy targets that are bearing down on the sector. Investors should feel good about Freehold Royalties for the long term.

Should investors be happy with its recent earnings?

Investors can expect to see this company's final batch of fiscal 2022 earnings in the beginning of March. In the third quarter (Q3) of 2022, Freehold Royalties reported funds from operations (FFO) of

\$80.8 million, or \$0.54 per share — up 68% from the previous year. Meanwhile, this keeps up nicely with its dividend payout, which should maintain shareholder confidence going forward.

The company reported 304 gross wells drilled on its lands. That brings the first nine months of 2022 to 764 total gross wells. This positions Freehold Royalties for a record-breaking year. Meanwhile, total production increased 26% year over year to 14,219 barrels of oil equivalent per day (boe/d) in Q3 fiscal 2022. It achieved a realized price of \$74.31/boe in Q3 2022 on a corporate measure. That is up 51% from the prior year.

Freehold also provided guidance for the remainder of 2022. It forecasts average production (boe/d) between 13,750 and 14,750. Meanwhile, the company projects FFO between \$300 million and \$320 million.

Freehold Royalties: Why I'm buying this value stock today

Freehold Royalties announced a [monthly dividend of \\$0.09](#) per share on January 12, to be paid on February 15, 2023. That represents a tasty 6.8% yield. Investors should be pleased with this kind of passive income, especially considering the consistency Freehold has offered.

What makes Freehold Royalties a value stock? Its shares currently possess a [price-to-earnings ratio of 11](#). That puts this energy stock in favourable value territory, especially compared to the majority of its industry peers.

CATEGORY

1. Investing

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