Freehold Royalties Ltd. (FRHLF)

Updated June 17th, 2026, by Ian Bezek

Key Metrics

Current Price:	$11.95	**5 Year Annual Expected Total Return:**	5.5%	**Market Cap:**	$2.0 B
Fair Value Price:	$11.20	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	06/30/26[1]
% Fair Value:	107%	**5 Year Valuation Multiple Estimate:**	-1.3%	**Dividend Payment Date:**	07/15/26[1]
Dividend Yield:	6.4%	**5 Year Price Target**	$11.77	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:**	Energy	**Rating:**	Sell

Overview & Current Events

Freehold Royalties is a Canadian energy company. Shares are dual-listed in Canada under the ticker "FRU" and the U.S. with the over-the-counter ticker "FRHLF". The company's base reporting currency is Canadian Dollars, but this report will use U.S. Dollar figures except when otherwise noted.

Freehold Royalties does not own upstream oil production facilities directly. Rather it partners with operators, providing upfront cash in return for a cut of future oil and gas production volumes. Freehold currently has about 360 royalty partners and has exposure to more than 7 million gross acres of land across the U.S. and Canada. Revenues are a nearly 50/50 split between the U.S. and Canada. The company's top three production areas are the Midland and Eagle Ford basins in the U.S. along with Canadian heavy oil production in the province of Alberta.

On May 12th, 2026, Freehold Royalties reported its Q1 2026 results. The company's top-line revenues decreased more than 14% to C$78 million versus the same quarter of 2025. This was a particularly disappointing result as the company spent significantly on M&A over the past couple years and taken on a large amount of debt without moving the needle operationally. Q1 earnings per share of 15 cents slipped one cent versus last year, as falling production volumes counteracted rising oil prices. The company made a sizable acquisition of Midland basin royalties in late 2024 that was supposed to help bolster earnings, but this hasn't worked out as planned. Oil averaged $72/barrel in Q1, and there's a decent chance Freehold will be able to realize higher prices than that over the remainder of the year, leading to our increased EPS forecast. That said, we remain unimpressed with the company's recent capital allocation strategy.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	-$0.08	$0.08	$0.09	$0.03	-$0.09	$0.41	$1.02	$0.66	$0.69	$0.41	***$0.80***	***$0.84***
DPS	$0.41	$0.42	$0.43	$0.48	$0.23	$0.38	$0.71	$0.81	$0.76	$0.77	***$0.77***	***$0.77***
Shares	110	118	118	119	119	137	151	151	152	164	***164***	***170***

Freehold Royalties historically earned close to C$1/share annually in the late 2000s and early 2010s. This came during the period of elevated oil prices, with crude sitting around $100/barrel for much of this period. Then, Freehold's profitability collapsed in 2015 when the price of crude dropped by half. Freehold struggled to generate any meaningful profit between 2015 and 2020, though its prospects have improved since then.

It's important to note that royalty companies often base their payouts on cash flows, rather than accounting earnings. This makes some sense, as significant costs such as amortization of royalty streams are a non-cash expense. That said, over a full cycle, depreciation is a real concern for investors, as the royalty operator will have to buy new production assets to replace their existing streams as they mature or expire. While Freehold paid a significantly higher dividend than its earnings throughout much of the 2010s, we do not believe this practice is sustainable over the long term. Even so, the company cut its dividend in both 2016 and 2020 due to tough industry conditions. The current dividend is 9 cents

[1] Estimated date.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

per month in Canadian Dollars. That works out to C$1.08 per year, or about $0.77 per U.S. share, subject to exchange rate volatility. The current dividend is vulnerable now, though the recent oil price increase will help support the payout.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	--	138	68.7	168.5	--	24.6	11.4	15.9	13.9	25.6	***14.9***	***14.0***
Avg. Yld.	7.2%	4.0%	5.3%	7.9%	14.8%	5.3%	6.1%	7.6%	8.0%	7.3%	***6.4%***	***6.5%***

Freehold Royalties has traded at a wildly uneven P/E ratio over the years. The company lost money outright in 2015, 2016, and 2020 during periods of low oil prices and it traded at an elevated P/E ratio in other years. The P/E ratio had stabilized in the low-to-mid teens range but surged to 26x last year. 14x seems like a reasonable valuation as long as the price of oil remains near current levels. The current dividend yield of 6.4% is below its long-term average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

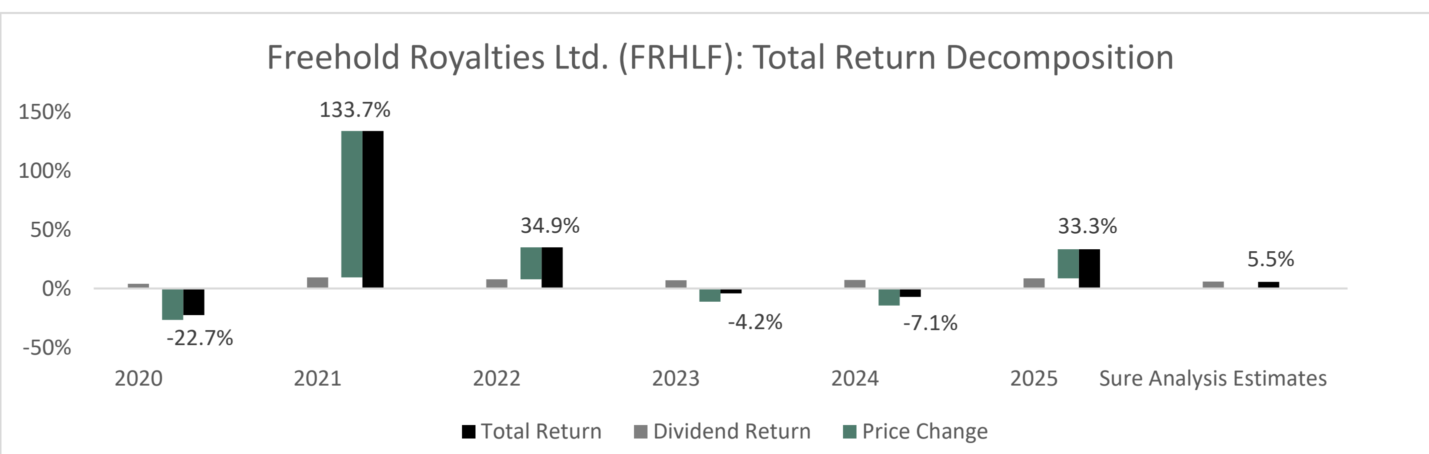
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	--	525%	478%	1600%	--	93%	70%	123%	110%	188%	***96%***	***92%***

A royalty company takes somewhat less risk than a pureplay upstream oil and gas company, since its profits come from a variety of different operators, oil and gas fields, and geographical regions. And nearly half of Freehold's royalty agreements are with large-cap energy companies which should remain resilient even during an economic downturn. That said, Freehold remains highly reliant on oil prices, and those tend to be rather fickle. The company's constant wheeling and dealing in terms of issuing shares, making new royalty agreements, and adjusting its dividend both up and down have led to considerable volatility for its shareholders. The existing monthly dividend can be covered out of current cash flows for the time being, that said, the payout ratio was far above 100% in 2025, and if oil prices drop back toward pre-Iran War levels, the payout ratio could spike once again.

Final Thoughts & Recommendation

Freehold Royalties has delivered somewhat better earnings over the past few years as the price of oil has generally been higher than it was in the late 2010s. However, the company has a poor long-term track record and we fear that ongoing shareholder dilution will limit upside. In addition, 2025's results were particularly lackluster. Freehold's recent rally makes sense in light of the oil price surge, but we think the market may be getting ahead of itself with the magnitude of the recent move. We see 5.5% total annualized returns from here. Shares earn a sell rating given the elevated payout ratio and uncertain earnings outlook.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	98	117	112	106	67	167	302	233	226	224
Gross Profit	18	33	33	35	8	94	217	155	145	141
Gross Margin	18.8%	28.0%	29.4%	32.6%	11.7%	56.5%	71.7%	66.6%	64.3%	62.9%
SG&A Exp.	9	10	8	10	9	14	17	14	14	14
Op. Income	(7)	12	18	20	(3)	79	198	140	130	119
Op. Margin	-6.6%	10.1%	16.1%	19.0%	-4.7%	47.1%	65.6%	60.2%	57.7%	53.1%
Net Profit	(8)	9	11	4	(10)	57	161	98	109	66
Net Margin	-8.6%	8.0%	9.7%	3.7%	-15.5%	34.5%	53.2%	41.9%	48.3%	29.5%
Free Cash Flow	66	88	103	80	47	129	252	153	(137)	137
Income Tax	(2)	4	4	2	(2)	18	46	30	31	23

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	747	760	652	643	651	840	893	843	1,033	1,000
Cash & Equivalents	1	0	1	1	1	2	0	-	-	-
Accounts Receivable	18	21	9	19	13	36	42	33	34	33
Total Liabilities	91	99	83	101	134	141	185	147	267	272
Accounts Payable	7	6	3	3	3	4	3	4	5	3
Long-Term Debt	62	72	66	83	73	115	115	93	210	208
Shareholder's Equity	656	661	569	542	517	699	708	696	766	728
LTD/E Ratio	0.09	0.11	0.12	0.15	0.14	0.16	0.16	0.13	0.27	0.29

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	-1.2%	1.3%	1.5%	0.6%	-1.6%	7.7%	18.6%	11.3%	11.6%	6.5%
Return on Equity	-1.4%	1.4%	1.8%	0.7%	-2.0%	9.5%	22.9%	13.9%	14.9%	8.8%
ROIC	-1.2%	1.3%	1.6%	0.6%	-1.7%	8.2%	19.7%	12.1%	12.4%	6.9%
Shares Out.	110	118	118	119	119	137	151	151	152	164
Revenue/Share	0.89	0.99	0.94	0.89	0.57	1.22	2.00	1.54	1.49	1.37
FCF/Share	0.60	0.75	0.87	0.67	0.40	0.94	1.67	1.01	(0.90)	0.83

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.