



## 3 Reasons to Buy Imperial Oil Limited

### Description

The recent market swoon has clobbered stocks, and no sector has felt the pain more than the oil patch. Over the past month, shares of the **Imperial Oil Limited** ([TSX:IMO](#))([NYSEMKT: IMO](#)), one of the country's largest energy producers, have plunged nearly 10%.

Time to panic? Hardly. If you believe in buying wonderful businesses when their shares are on sale, then Calgary-based Imperial may be worth a look. Here's why.

#### 1. growth... Growth... GROWTH

Imperial has a diverse set of growth opportunities in front of it. The company's business empire stretches from the Alberta oil sands, north to the Mackenzie Delta, and east to the Orphan Basin off the coast of Newfoundland. Altogether, Imperial is sitting on 16 billion barrels of oil equivalent in resources.

All of this gives Imperial plenty of room to ramp up output. Management is looking to almost double the company's daily production volume by 2020. And as any armchair equity analyst could tell you, more barrels sold equal more cash flow.

#### 2. Margins are improving

Not only is Imperial pulling more barrels of oil out of the ground, but it is also earning more money on each barrel produced. As kinks in the energy supply chain begin to clear, we're starting to see the price of oil sands bitumen rally. Today, the benchmark Alberta oil price trades at an US\$18 per barrel discount to other North American blends, down from nearly US\$40 per barrel a year ago.

Investments in shipping crude by rail have done a lot to alleviate the bitumen glut. Pipeline companies such as **Enbridge Inc.** and **TransCanada Corporation** have also been quietly expanding their networks. That could close the discount for Alberta crude even further.

#### 3. Shareholder-first management team

Let me make myself clear: Imperial's management team is the best steward of shareholder capital in the Canadian energy industry. Unlike the company's rivals, Imperial has a policy of returning excess capital to shareholders if it cannot find enough profitable ventures. While that might sound like common sense, this type of rationale is sadly lacking in the rest of the oil patch.

Between 2003 and 2012, the company paid out nearly \$14 billion to investors in dividends and buybacks — more than **Suncor Energy Inc.**, **Canadian Natural Resources Limited**, and **Cenovus Energy Inc.** combined. And over the past 20 years Imperial has repurchased over half of its outstanding shares, allowing investors to double the size of their stake in a wonderful business.

### **The bottom line**

Imperial's track record means this blue-chip stock deserves a place in any portfolio. If you have been waiting for an opportunity to buy this company, now is your chance.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSEMKT:IMO (Imperial Oil Limited)
2. TSX:IMO (Imperial Oil Limited)

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