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Insider Alert: A $632 Million Reason to Buy This Canadian Stock?

Description

The rest of the world seems to be getting rid of their energy stocks. However, there's at least one company that's bought back $632 million of its own shares recently. With earnings around the corner, let's take a look at why **Imperial Oil** (TSX:IMO)(NYSE:IMO) recently made a huge bet on the future of this Canadian stock.

A $632 million price tag

Between June 1 and June 30 of this year, Imperial Oil repurchased more than 15.5 million shares. Each share cost about $40.57, making $632 million available for shareholders. However, shares have remained on a downward trend. Currently, shares of this Canadian stock are up 58% for the last year, but down 13% in the last month alone.

Now companies are known for buying back shares especially when it believes the market has unfairly valued the company. In the case of Imperial Oil, earnings are around the corner. Management may believe the company is due for an earnings boost after buying these shares.

Then there's the oil and gas downfall in general. This is likely why the Canadian stock's shares have continued to fall by that 13%. However, this is nothing to do with the company and its fundamentals or recent great news. So let's take a look at whether Motley Fool investors have enough reasons to add it to their portfolio.

Recent market moves

During the last few weeks, the company not only repurchased shares and announced its earnings date. Imperial Oil also increased its dividend by an incredible 23%! That's far above the compound annual growth rate (CAGR) of 7.42% over the last decade. This is another hike to add to the company's 26 consecutive years of dividend growth.

Yet shares in this Canadian stock remain low. *Really* low. In fact, the company is in oversold territory with a relative strength index (RSI) of 29.46 as of writing. While the company is likely to continue being hit by pandemic reductions, OPEC+ did just increase the limitations for five countries.

While this means cheaper prices in the short term, long-term analysts are more bullish on a rebound. While it may not seem like it, it's indeed temporary. So eventually, Motley Fool investors are likely to see an increase in most energy stocks.

That would include Imperial Oil, and it looks like it's setting itself up for some good announcements. A dividend hike and buying back shares are both great signs that the company believes it's financially sound. After poor earnings last year, losing 34% of year over year sales, the Canadian stock has improved its cost structure. Now, revenue is predicted to rise by more than 57% to around $35.2 billion!

Last quarter, Imperial Oil saw net income rise from a $188 million loss last year, to a $392 million gain this year. Capital flows from operating activities reached $1 billion, and it saw the highest quarterly upstream production in *30 years*! So it looks like the future may indeed be bright for this Canadian stock.

Foolish takeaway

While a share repurchasing of $632 million is definitely something to note, there are more than one reason to buy Imperial Oil today. A dividend hike, share repurchasing, a rebound economy and increased growth are all great reasons to consider it. Especially at a low share price.

With analysts predicting an average potential upside of 28% in the next year, now could be a great time for Motley Fool investors to buy this Canadian stock on a pullback.

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