



Best Risk & Reward Option: 1 Energy Stock to Buy if Oil Prices Tank

Description

Some investors with positions in energy stocks fear another oil price drop. The resurgence of COVID cases in the U.S., China, and other parts of the world is curbing oil demand. On the TSX, **Imperial Oil** ([TSX:IMO](#))(NYSE:IMO) investors aren't worried about a [bear market](#). The dividend stock hasn't missed paying a dividend since the 1880s.

The energy stock belongs in the league of the Big Five banks and telecom giant **BCE**. These companies have dividend track records of more than 100 years. **Bank of Montreal** is the pioneer. It started the practice in 1829. Imperial Oil may not be a suitable [core holding](#) in a stock portfolio, but it should be a valuable addition if you want stability and [pension-like income](#).

Energy sector boom

The Delta coronavirus variant could impact oil prices, but industry observers believe the ever-rising demand in the coming months will push oil prices higher, not pull them down. The price per barrel could potentially hit US\$80. Energy is TSX's top-performing sector since the start of the year.

As of August 3, 2021, the energy sector enjoys a 37.73% gain and outperforms the broader market (+16.82%). Meanwhile, Imperial Oil is a high flyer. The year-to-date gain is 46.77% — a better performance than the sector and the TSX. It seems the momentum will continue following the company's most recent quarterly earnings results.

Sterling Q2 2021 results

In Q2 2021 (quarter ended June 30, 2021), Imperial Oil reported \$366 million in net income versus the \$526 net loss in Q2 2020. For the first half of the year, the company's net income is \$758 million compared to \$714 in net loss in the same period last year. The turnaround was a massive +\$1.472 billion.

According to Brad Corson, Imperial Oil's chairman, president, and CEO, the company took decisive

actions to accelerate structural business improvements throughout the pandemic. It was why Imperial Oil recovered strongly and generated over \$1.8 billion in cash flow from operating activities year to date.

Mr. Corson said, “Imperial has significant momentum entering the second half of the year and is well-positioned to continue delivering on its commitments.” The quarter’s highlight was the average upstream production of 401,000 gross oil-equivalent barrels per day. It was Imperial’s highest second-quarter production in more than 25 years.

Increase in shareholder value

Imperial Oil returned over \$1.3 billion to shareholders during the same quarter through dividends and share buybacks. Of the total, \$161 million went to dividend payments. Through its share-repurchase program, the \$20.5 billion producer of crude oil and natural gas will buy back 5% of its outstanding shares in 12 months, culminating on June 28, 2022.

Corson added, “Looking forward, with our major turnarounds complete, we are focused on increased production, higher refinery utilization, continued capital discipline, and returning cash to shareholders.”

Ever-reliable income stock

Imperial Oil has 140 years of experience in a volatile sector. It has gone through the worst and witnessed the oil industry’s peaks and valleys through the years. With not a single missed dividend payment for more than a century, this energy stock is buy-and-hold forever asset. The dividend yield is modest (2.67%), but the payments make for a lifetime-like pension.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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