



Tourmaline Oil (TSX:TOU) Delights Shareholders... Again!

Description

Canada's top natural gas producer stock **Tourmaline Oil** ([TSX:TOU](#)) is already up 145% this year. Moreover, to shareholders' delight, the company has announced a special dividend of \$0.75 per share payable next month. Notably, the special dividend is higher than its annual shareholder payout of \$0.72 per share. Apart from the special dividend, it has already increased dividends twice this year by almost 21% compared to payouts in Q4 2020.

Tourmaline Oil issues special dividend

Higher production and superior energy commodity prices have remarkably boosted its financials this year. But, more important, [upbeat commentary](#) along with special dividends should provide an important impetus to the stock, which could further drive the rally.

The special dividend is payable on October 7, which has an ex-dividend date of September 29. So, if you want the dividend, you will have to buy the shares on or before September 28. A special dividend is a one-time payment and is issued to distribute excess cash among shareholders.

Everything is turning Tourmaline's way these days. The management has increased its production guidance for 2022. The company is aggressively progressing to its net debt target and is still expected to retain excess cash. So, investors can expect more cash handed over via special dividends or via increased payouts, probably by next year.

Why TOU is firing on all cylinders

Tourmaline Oil's total revenues more than doubled during the first half of 2021 against the same period in 2020. Higher demand and rallying gas prices played really well for the company. Additionally, it reported a net income of \$670 million in the first six months of 2021. In comparison, it posted a loss of \$15 million in the same period in 2020.

What's more important to note here is Tourmaline Oil's increasing operational efficiency. The

engineering design improvements have improved its efficiency, which is visible in its growing profit margins. Besides, recently concluded acquisitions have resulted in improved scale, bringing down costs further and helping margins.

Tourmaline Oil has created solid shareholder wealth since last year. Note that it delivered almost negligible returns in the earlier five-year period when energy commodity prices were depressed.

But this time it's (probably) different!

Mainly because economic re-openings are still far from attaining a full swing and gas prices seem in great shape. Lower storage inventories of natural gas than the five-year average ahead of the heating season could keep prices high.

Furthermore, improving efficiency and profit margin expansion makes a strong case for Tourmaline Oil. Its superior balance sheet, low leverage, and high potential for free cash flow growth could continue to [reward shareholders](#) in the next few years.

Bottom line

Moreover, TOU stock is trading nine times its earnings, which is far cheaper against peers. Also, a company with such a high-growth potential and attractive dividends is trading at a [cheaper valuation](#) certainly looks like a steal.

So, even if the stock exhibited immense rally and is trading at its 52-week high, I don't think it's expensive. It offers an attractive proposition for long-term investors due to its superior financial growth potential and impending economic recovery.

CATEGORY

1. Dividend Stocks
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