



Why Imperial Oil Stock Jumped 89% in 2021

Description

The shares of **Imperial Oil** ([TSX:IMO](#))(NYSE:IMO) traded on a strong bullish note in 2021. IMO stock ended the year with solid 89% gains, making it one of the top-performing Canadian energy stocks. By comparison, the **TSX Composite** benchmark posted about 22% advances last year. In this article, we'll take a quick look at Imperial Oil's recent developments that helped its stock surge in 2021 and find out whether its stock could continue this bullish moment of 2022.

What drove Imperial Oil's stock price?

In 2020, the COVID-19-related woes took a big toll on energy demand, triggering a massive selloff in the prices of energy products, including crude oil and natural gas. This decline in demand and weak prices directly hurt the financial growth of energy companies like Imperial Oil. As a result, Imperial Oil reported a 34.4% YoY (year-over-year) drop in its total revenue to \$22.4 billion in 2020. During the year, the company burnt \$385 million cash. Weakening prices of energy products and continued uncertainties about the global pandemic drove IMO stock lower by about 30% in 2020.

In 2021, the demand for petroleum and petrochemical products showed major improvements, as most businesses started to reopen amid easing restrictions, leading to a sharp recovery in the prices of energy products. This sharp recovery helped Imperial Oil post a stronger-than-expected recovery in the first three quarters of 2021. In the latest reported quarter ended in September 2021, the energy firm [posted](#) a 71.8% YoY rise in its total revenue to \$10.2 billion, which was also much stronger than its revenue of \$8 billion in the previous quarter. Its adjusted net profit in Q3 2021 stood at \$908 million — significantly better than just \$3 million in Q3 2020 and \$366 million in Q2 2021.

Overall, its faster-than-expected financial recovery could be the main reason why Imperial Oil stock managed to inch up by 89% in 2021.

Could IMO stock continue soaring in 2022?

It's important to note that 2021 was the first time when Imperial Oil's share price rose in the last five

years. The recent recovery in the company's financials clearly looks impressive. However, it might be difficult for Imperial Oil to maintain this high YoY growth in the coming years with stabilizing demand for energy products. Although consistently strengthening prices for energy products could help it maintain a strong profit margin, its revenue and earnings growth trend could slow down. While Imperial Oil stock also has a [decent dividend](#) yield of around 2.4% at the moment, it's significantly lower than other Canadian energy stocks like **Enbridge** and **TC Energy**.

Given all these factors, I expect IMO stock to see a downside correction in the coming quarters — especially after its massive gains in 2021. That is one of the main reasons why you may want to consider investing in other energy stocks in 2022, which haven't seen much appreciation lately, rather than betting on the expectations of Imperial Oil stock's continued rally.

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