



## It's Raining Dividends at Tourmaline Oil (TSX:TOU)

### Description

Canada's leading natural gas producer **Tourmaline Oil** ([TSX:TOU](#)) has delighted shareholders yet again. It has announced another generous special dividend of \$1.25 per share, which will be paid on February 1, 2022.

### Tourmaline issues another special dividend

Apart from the special, Tourmaline Oil has also [increased](#) the regular quarterly dividends by 11%. Shareholders will now receive a dividend of \$0.20 per share, indicating a forward yield of 1.8%.

Rallying natural gas prices notably boosted its free cash flow growth in 2021. Tourmaline paid an earlier special dividend in October, which was \$0.75 per share. A company issues a special dividend when it wants to distribute excess cash among its shareholders.

Importantly, the company already increased its quarterly dividend twice last year. Moreover, it could keep distributing cash to shareholders at an aggressive pace this year as well, given its superior free cash flow growth prospects.

Tourmaline's higher dividends have come on the expected lines. The company highlighted its financial strength in earlier earnings calls and conveyed its intention to distribute cash to shareholders. I underscored that in my earlier piece on Tourmaline Oil [here](#).

### What's next for Tourmaline Oil?

Natural gas prices have soared approximately 65% in the last 12 months. Colder weather has increased heating demand for gas, fueling prices higher. Also, increased demand amid full re-openings and comparatively lower supply could drive energy commodities higher.

Tourmaline Oil's net income jumped to \$1.66 billion in the last 12 months relative to \$618 million in 2020. The company is expected to report \$2.8 billion in free cash flows in 2022 — double the free cash

flow in the last 12 months.

It intends to repay debt, likely achieving its long-term net debt target of \$1 billion to \$1.2 billion. After paying for debt, the company will likely be left with excess cash in 2022. So, increasing dividends further seems doable for Tourmaline at this moment.

Tourmaline stock has already soared a decent 20% so far this year. The generous cash distribution indicates its balance sheet strength and management's confidence in its future earnings growth. Notably, the stock could continue to soar higher, driven by improved investor sentiment and rallying natural gas prices.

Since last year, many energy companies have seen superior earnings and free cash flow growth. Like Tourmaline, they focused on improving balance sheet strength and distributing excess cash to shareholders.

## Should you buy TOU stock?

A \$15.6 billion Tourmaline Oil looks well placed to soar higher in 2022. Even after rallying almost 130% in the last 12 months, the stock is trading eight times its earnings. Notably, its three-year average price-to-earnings ratio comes around 15.

This indicates a huge growth potential for a stock like TOU. Moreover, its decent dividend outlook and expected earnings growth could significantly unlock value for shareholders in 2022 and beyond.

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