



## Crude Price to US\$100? Exxon Mobil's (NYSE:XOM) Subsidiary Is a Must-Buy

### Description

The OPEC+ group led by Saudi Arabia and Russia met on February 2, 2022, and agreed to increase production output in March to temper the rise in oil prices. Before the cartel's meeting, [oil prices](#) roared to a seven-year high. Industry analysts predict global prices to hit US\$100 per barrel, while the U.S. benchmark could top US\$90.

Meanwhile, the TSX's energy sector continues to outperform. Its year-to-date gain is now 22.98%, with the financials sector at a distant second with +5.45%. The broader market is up by only 0.66%.

Across the border, **Exxon Mobil** generated US\$48 billion in cash flow from operating activities in 2021, the highest since 2012. Management said the amount is more than adequate to cover capital investments and dividends, and allow for debt significant debt reduction. The American oil giant reported net income of US\$23.04 billion for the year.

In Canada, cash flows of oil & gas producers are surging. Oil bellwether **Suncor Energy** reported a record \$3.1 billion in adjusted funds flow from operations in Q4 2021. However, if oil prices climb further, the [top stock to buy](#) today could be Exxon's subsidiary, **Imperial Oil** ([TSX:IMO](#)).

### High-flyer

Imperial Oil was a high-flyer in 2021 and rewarded investors with a 94.4% total return. As of February 2, 2022, the stock continues to advance, as evidenced by its 19.3% year-to-date gain. Market analysts covering IMO see the current share price of \$54.44 climbing 23.1% in the next 12 months.

Brad Corson, Imperial Oil's President and CEO, said, "We continue to make the most of the improving and attractive business environment. We saw continued demand recovery throughout the year and significant improvement in commodity prices, both of which are reflected in our results."

### Revenue and profit surge

In Q4 2021 (quarter ended December 31, 2021), the company's net income reached \$813 million compared to the \$1.15 billion net loss in Q4 2020. Imperial Oil's total revenue increased 104% to \$12.3 billion versus the same quarter in 2020. According to management, higher crude oil prices contributed to the doubling of revenue and surge in profit during the quarter.

Notably, the annual production of 428,000 gross oil-equivalent barrels per day was a 30-year high. Corson said the past year was a demonstration of the strength of its integrated business model. It also showed the value management has created through structural cost reductions, relentless focus on reliable operations and capital-efficient growth in the core businesses.

## Dividend aristocrat

Imperial Oil is Canada's largest petroleum refiner, a major producer of crude oil, a key petrochemical producer, and a leading fuels marketer. Furthermore, the \$36.06 billion integrated oil company has an outstanding [dividend](#) track record (140 years) and is a dividend aristocrat (26 years dividend growth streak).

Because of the 415.8% increase in cash flows (\$316 million to \$1.63 billion) in Q4 2021 versus Q4 2020, the board of directors approved a 26% dividend increase. The current dividend yield is 2.08%, but the hike will take effect on April 1, 2022.

Corson expects another strong operational performance in 2022, given the market conditions and commodity price environment. I think Imperial Oil is a strong buy as the energy stock could duplicate or better its sterling performance last year.

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