



This Energy Company Is Raising Dividends by a Whopping 26%

Description

[Oil prices have been rising](#) at alarming rates despite the ongoing pandemic, pushing the leading oil producers worldwide to consider taking action to bring the situation under control. Demand is outweighing the current supply, and production output from the top oil producers could mitigate the situation.

The OPEC+ group, comprising leading oil producers and led by Russia and Saudi Arabia, held a meeting on February 2, 2022, and came to an agreement that could prove fruitful to this end. The countries have decided to increase production output in March 2022 so that the surge in oil prices tempers down.

Industry analysts anticipate oil prices to reach US\$100 per barrel in the coming months, but the OPEC+ move could put a halt to it. While we wait to see the results of this agreement come to light, the energy sector in Canada has done exceptionally well amid these conditions.

The energy sector's performance has kept the **S&P/TSX Composite Index** from drastic declines. **Exxon Mobil**, the American oil giant, has seen its profit margins soar due to high oil prices. We have seen a similar situation with Canadian energy stocks.

Today, I will discuss a Canada-based subsidiary of Exxon Mobil, **Imperial Oil Ltd.** ([TSX:IMO](#)), that you could consider adding to your investment portfolio after the [dividend stock](#) announced a massive dividend hike.

A fantastic 2021

Imperial Oil enjoyed a terrific performance in 2021 along with the broader energy sector due to a surge in energy demand without a significant supply to match it. Higher oil prices improved the profit margins for the company, allowing Imperial Oil to post impressive figures and a strong performance on the **TSX** last year.

Imperial Oil investors saw 94.4% in total returns from their investments in the company during the year.

At writing, Imperial Oil stock trades for \$55.68 per share, reflecting an 18.22% year-to-date gain. The company has made the most of the profitable market environment due to rising oil prices, and that has been reflected in its profitability.

Imperial Oil announced on February 1, 2022, that its board of directors is raising the company's quarterly dividends by 26%, and the dividend hike will take effect on April 1. The announcement came along with the company's fourth-quarter earnings report that showed its cash flows increased from \$316 million in Q4 2020 to \$1.63 billion in Q4 2021.

The quarterly report also showed that the company went from \$1.15 billion in net losses during Q4 2020 to a net profit of \$813 million in Q4 2021.

Imperial Oil's latest dividend hike also means that the company will maintain its Canadian Dividend Aristocrat status, with 26 years of dividend growth. The company is a reliable dividend payer that has paid its shareholders their dividends for the last 140 years.

Foolish takeaway

It will take some time to see how the increase in production output could impact oil prices and the profit margins for Imperial Oil stock. The company's management expects another strong year of operational performance in 2022. Imperial Oil stock could be an excellent bet to consider, whether you want to consider it for its upside potential or [dividend income](#) alone.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:IMO (Imperial Oil Limited)

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