Passive Income: This Canadian Stock TRIPLED its Dividend!

Description

It's not very often that you see a stock triple its dividend. When you do, you take notice. Normally, companies hike their dividends incrementally by something like 5-10% a year. Sometimes, they don't increase them at all.

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But 2022 isn't any ordinary year. With oil prices soaring, energy stocks are raising their dividends left and right — sometimes, by extremely large percentages. In this article, I will explore one Canadian energy stock that tripled its dividend after its recent earnings release.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is a Canadian integrated energy company. It sells a variety of petroleum products and related goods, including the following:

- Crude oil
- Gasoline
- Petroleum coke
- Natural gas
- And more

The company recently acquired Husky Energy, which provided it with a national chain of gas stations at which it sells gasoline direct to consumers.

After its first-quarter earnings release, CVE raised its dividend from $0.14 per share to $0.42 per share. That's an increase of 200% — approximately tripling the dividend. The $0.42 dividend gives us a 1.75% yield at today's prices. That might not sound like much, but it could grow even further, and the increase speaks to an enormous improvement in CVE's operating results.

Fantastic earnings

Speaking of results, Cenovus had a fantastic run in its most recent quarter:

- 800,000 barrels of oil per day (upstream)
- 502,000 barrels of oil per day (downstream)
- $1.35 billion in cash from operations, up 499%
- $1.8 billion in free funds flow, up 209%
- $1.625 billion in net income, up 639%
- $8.4 billion in net debt, down 12%

Those are incredible results across the board. Not only did earnings and cash flows go up, but debt went down as well. Cenovus not only delivered a great quarter, but through its debt reduction, it paved the way for great future quarters, as the lower debt level will lead to lower interest expenses in future quarters.

Where does CVE go from here?

After booking as good a quarter as CVE did in Q1, it's logical to ask where the company will go from there. Certainly, CVE is a solid company that beat on earnings and upped its dividend. But can the progress continue?

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If the price of oil remains strong, then yes, it can. And by "strong" I don't mean it has to keep rising, it just has to remain around $100. There are plenty of ways oil companies can boost earnings, even with oil prices just staying flat:

- Produce more oil
- Reduce costs
- Buy back shares
- And more

As long as the price of oil is well above breakeven, then a company like Cenovus Energy can do well. Truly, the sky is the limit. The only question is whether you'd prefer to invest today or wait for a dip in the future. Energy stocks are doing quite well this year, and it is possible that they are getting overheated. I don't personally think they are, but many analysts hold that opinion. Perhaps, then, the best bet is to gradually dollar-cost average in over time, so you don't buy the top.

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