



1 Oil Company Just Increased Dividends by 12%

Description

The majority of the top 30 performing stocks on the TSX thus far in 2022 belong to the energy sector. High flyers like **NuVista Energy**, **Crew Energy**, **Baytex Energy**, **Athabasca Oil**, and **Cenovus Energy** have gained between 180% and 322% in the last 12 months.

However, besides the massive capital gains, [dividend chasers](#) have had a field day. Dividend payouts are getting more attractive, as oil companies generate enormous [free cash flows](#) due to rising commodity prices. If last year were good, 2022 would be far better for shareholders, and many companies can afford to increase or start paying dividends.

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) made headlines recently for announcing the highest dividend increase in the company's history. If you're investing this month, this oil bellwether deserves to be on your [buy list](#). At \$46.92 per share, current investors are up 49.9% and partake of the 4.01% dividend.

Back on investors' radars

Suncor Energy suffered big time in 2020 when oil prices dropped to their lowest level in years. This integrated oil and gas company lost its Dividend Aristocrat status by slashing dividends by 55%. The move was necessary to conserve capital and protect the balance sheet.

However, Suncor's financial position improved in 2021 when oil prices began to climb. Mounting profits replaced losses in that management ensured that Suncor would regain investors' trust and confidence. In October 2021, the board of directors gave the go-signal to accelerate returns to shareholders and increase the quarterly dividend by 100%.

For the full-year 2021, net earnings reached \$4.11 billion compared to the \$4.31 billion net loss in 2020. In Q4 2021 alone, cash flow from operating activities jumped 221.3% to \$2.61 billion versus Q4 2020. Suncor paid \$1.6 billion in dividends for the year and repurchased \$2.3 billion worth of shares.

Mark Little, Suncor's president and CEO, said, "Our increased cash flows in 2021 enabled us to exceed our shareholder return targets for the year through increased dividends and accelerated share

repurchases, while at the same time strengthening our balance sheet through accelerated debt reduction.”

Another round of dividend hike

In Q1 2022, Suncor’s profits are still rising as net earnings shot up 259.2% year over year to \$2.94 billion. Apart from the record adjusted funds from the oil sands assets’ operations, the \$4.1 billion adjusted funds from operations were the highest ever in a quarter.

Little said, “Our increased cash flows enabled us to reduce net debt by \$728 million and return over \$1.4 billion of value to shareholders through \$827 million in share repurchases and payment of \$601 million in dividends.” On May 10, 2022, the board approved another dividend hike. The 12% increase from the previous quarter’s payout was the highest percentage increase from the energy stock.

Strong retail business

Mr. Little confirmed that Suncor has no plans to sell its retail business, particularly its Petro-Canada gas stations. He said, “The retail business is a very strong performer and can go head to head with other retail businesses ... We are also sharpening our focus on our base business and areas complementary to our base business, which will drive long-term value for our shareholders.”

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