



1 Growth Stock to Allocate More Free Cash Flow to Investors

Description

Growth stocks are taking a beating in 2022, but a comeback might come sooner than later. On mid-week, the technology sector advanced 4.26% to lift the **TSX** above the 19,000 mark. Energy, this year's [top-performing sector](#), rallied too with a 2.95% gain.

However, **Tourmaline Oil** ([TSX:TOU](#)) is the top pick if you're looking not only for growth stock but a dividend-growth stock as well. On July 27, 2022, the \$24.63 billion producer of the lowest-emission and lowest-cost natural gas in North America announced a special dividend — the third for the year.

While the regular dividend yield is modest (1.27%), management is prepared to declare more special payments to shareholders. Also, at \$73.43 per share, the trailing one-year price return is 127.65%, while the year-to-date gain is 90.35%. Market analysts covering Tourmaline forecast a 23.5% price appreciation to \$90.73 (average price target) in 12 months.

Tech power

Energy and technology are in extreme positions right now with the former up 38.39% and the latter still in the red with -35.22%. However, **Shopify** (+11.01%), along with **Hut 8 Mining** (+13.27%) and **Lightspeed Commerce** (+7.59%) led the broad-based rally on Wednesday.

Investors were buoyed by the pronouncement of the tech superstar. Tobi Lütke, CEO of Shopify, disclosed the long-term plan to reduce costs and improve services for small-business customers. Market analysts are likewise bullish on the crypto stock and e-commerce software provider. The tech power might emerge again once inflation is contained.

Record cash flow

Going back to Tourmaline, the investment-grade exploration and production reported a record cash flow and free cash flow (FCF) of \$1.35 billion and \$1.1 billion in Q2 2022. Because of the enormous cash available, management announced a special dividend (\$2 per common share) to be paid on

August 12, 2022.

Management maintains a strong commodity price outlook and anticipates a record FCF in 2022, The plan is to return at least 60% of FCF to shareholders this year through base dividend increases, special dividends, and share buybacks. For 2023, the percentage allocation of the FCF for shareholders is between 50% and 75%.

Note that the energy stock intends to pay quarterly special dividends through the balance of 2022 and 2023. However, management clarifies that the amounts of special dividends will be a function of commodity prices and available quarterly FCF. If you include the special dividend for next month, the total trailing 12-month dividend amounts to of \$6.28 per share that translates to a 9% dividend yield.

Strong supply and demand fundamentals

Tourmaline is confident that long-term supply and demand fundamentals will remain strong, as it anticipates commodity prices to stay elevated for an extended period. However, management expects commodity prices to be more volatile, locally and globally, than historical trends.

Because of its sustained annual production growth profile of 6% per annually from 2022 to 2028, management is confident about achieving its goal a strong of sustainable annual return to shareholders (greater than 60% of FCF) in 2022.

More free cash flow

Tourmaline is a growth-oriented senior oil and gas company in Canada. It optimizes shareholder returns by focusing on operational and cost efficiencies. The promise to allocate more free cash flow to shareholders isn't pure bluster.

CATEGORY

1. Energy Stocks
2. Investing

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