



1 Top TSX Energy Stock to Buy and Hold Forever

Description

Oil prices have seen a sharp correction lately — a few months after reaching their highest level since 2008. While the long-term demand outlook for traditional energy products remains high, concerns about a near-term recession are haunting oil investors. The commodity market correction has also taken a toll on the TSX energy stocks.

But given the positive long-term outlook for oil demand, the recent drop in [energy stocks](#) could be temporary, which investors can take as an opportunity to buy their favourite stocks cheap. In this article, I'll highlight one of the most attractive oil stocks investors can buy and hold for the long term.

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Imperial Oil ([TSX:IMO](#))(NYSE:IMO) is a Calgary-headquartered integrated oil firm with a market cap of \$37.9 billion. The company primarily focuses on the production, transportation, and sale of oil and gas through its upstream, downstream, and chemicals segments.

This TSX energy stock currently trades at \$59.28 per share with nearly 30% year-to-date gains — thanks to its strong stock rally in the first quarter. Despite its strong financial growth trends, however, the stock hasn't seen much appreciation lately. In the last three months, it has seen 9% value erosion.

Strong post-pandemic recovery

As the COVID-related restrictions on physical activity started affecting its operations and the demand for energy products, Imperial Oil's 2020 revenue fell by 34.4% YoY (year over year) to \$22.4 billion. But its revenue for the year still managed to exceed analysts' estimates. As the pandemic also caused a sudden, massive drop in oil and gas prices, Street analysts expected the company to burn more than \$800 million in cash that year. Nonetheless, the company reported a much narrower adjusted net loss of \$385 million that year with the help of its focus on efficiencies and cost-cutting efforts.

As the demand and prices for energy products rapidly increased the following year, Imperial Oil's total

revenue jumped by nearly 68% YoY in 2021 to \$237.6 million. Similarly, its adjusted earnings for the year stood at \$3.65 per share, surpassing its pre-pandemic 2019 adjusted earnings of \$2.88 per share.

Continued improvements in financial growth trends

After posting a solid post-pandemic recovery, Imperial Oil's financial growth trends are continuing to improve in the ongoing year. In the June quarter, the company's total revenue more than doubled from a year ago to \$17.3 billion. During the quarter, its upstream production [reached](#) 413,000 gross oil equivalent barrels per day — its highest second0quarter (Q2) production level in more than three decades. This factor, along with its sustained strong downstream operating performance, helped Imperial Oil register a massive 626% YoY growth in its Q2 adjusted earnings to \$3.63 per share — over 40% higher than Street's estimates.

In the last year, Imperial Oil has increased its focus on the upstream portfolio with long-life, low-decline sand assets. This is one of the reasons it recently decided to sell its interest in XTO Energy Canada for about \$1.9 billion. The company expects increased focus on the upstream portfolio to help it maximize shareholder value in the long run. Apart from these positive factors, Imperial Oil stock offers a decent dividend yield of around 2.3% at the current market price.

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