



Payouts at This Canadian Dividend Aristocrat Are Growing Fast

Description

There's a new Canadian Dividend Aristocrat in town. Tourmaline Oil Corp. ([TSX:TOU](#)), the largest natural gas producer in Canada, has been added to this coveted list of companies. This is a great opportunity for investors to get exposure to this high growth, high returns stock. While the economic risks that come with higher interest rates still exist, Tourmaline's stock price has a bright path ahead of it.

A Canadian dividend aristocrat to grow your income

Tourmaline is mostly a natural gas producer. In fact, natural gas accounts for approximately 80% of Tourmaline's production. Therefore, the natural gas market is the one that matters most.

The natural gas industry is a notoriously cyclical one. This means that it has nosebleed highs and crashing lows. Natural gas is, after all, a commodity. And commodities are at the mercy of supply and demand levels, which can and do shift, sometimes dramatically and unexpectedly.

What this means is that when investing in [cyclical industries/companies](#), investors must be ready to sell when the time is right. Because eventually, the cycle will reset and the good days will be over. Essentially, this is one industry where the tried-and-true long-term strategy of buying and holding may not be the best one,

Why is it different this time for natural gas?

Having said all that, I would like to now shift gears and discuss why natural gas is not simply a typical cyclical play these days. It has, in fact, also turned into a secular play – a trend that unfolds over a long time period.

Energy is in demand globally. Countries like China and India are on strong long-term growth paths. This, in turn, is increasing their wealth and demand for energy. Today, much of their energy is still sourced from coal. Yet, these countries are making attempts to clean up, just like the rest of the world.

This leads them to natural gas – a cheap, less harmful energy source that's highly abundant. They are relying on it to fuel their growth in the years to come.

Canada is one of the world's best sources of natural gas. Canada's natural gas resources are among the most abundant, cheap, and reliable compared to other areas of the world. Thankfully, recent years have seen the North American natural gas market open up globally, with liquified natural gas (LNG) exports skyrocketing. This is why Tourmaline is an attractive **dividend aristocrat**.

Tourmaline's stock price is well-positioned to benefit

Natural gas prices have fallen hard in recent months, down 74%. Yet, Tourmaline's stock price has held up relatively well in comparison, down 20%. These declines have definitely spooked many, but in my view, this weakness is an opportunity to buy rather than a warning signal to sell.

Because, you see, the long-term fundamentals of the natural gas industry remain very strong. China has lifted all COVID-19 restrictions and the country will rebound. Along with it, [demand for oil and gas](#) should spike higher. Also, supply challenges remain, and Canada is a top source.

Tourmaline's five-year history of cash flow growth and dividend increases (213% growth in its base dividend plus numerous special dividends) is matched only by its potential to benefit from strong Canadian gas exports. In fact, Tourmaline has been working on gaining access to the strongest natural gas markets, which mean strong pricing. As part of this strategy, it has further diversified its gas marketing portfolio by establishing a US Gulf Coast LNG pathway. Notably, Tourmaline entered into a long-term arrangement and in 2023, is set to become the first Canadian energy company to participate in the LNG business with full exposure to JKM (Japan Korea Marker) pricing. This pricing is much higher than North American pricing.

The LNG market is rapidly growing as the world is looking for cheap, abundant, and secure energy. Tourmaline is positioning itself to be a natural gas provider to LNG terminals. This growth will likely be sustained for many years as global demand for natural gas is just beginning, thus making Tourmaline a dividend aristocrat that will likely be able to continue to rapidly grow its dividends.

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