

Canadian Natural Resources Limited: 13 Consecutive Dividend Hikes... and Counting

Description

If you want to buy sexy tech stocks to impress your colleagues, then dividend investing isn't for you. But if you prefer owning solid businesses that produce reliable profits, then you'll like this strategy just fine.

Case in point: **Canadian Natural Resources Limited** ([TSX: CNQ](#))([NYSE: CNQ](#)).

Even if you have never heard of this company, Canadian Natural's business is vital to your daily life. Our modern world would come to a halt without the oil and gas this company produces. And while most energy outfits are hunting for the next big oil find, Canadian Natural is content to crank out steady production growth.

This strategy would put any action junky to sleep, but it has been a profitable model for investors. Last year, Canadian Natural paid out \$523 million to shareholders – a remarkable amount of cash that shows management is dedicated to lining investors' pockets. And over the past decade, the company has increased its dividend more than 18-fold.

But that's nothing compared to what could be coming next.

Canadian Natural has one of the best growth profiles in the energy patch. Over the past decade, the company spent tens of billions of dollars to fund its oil sands expansion. Now that its main Horizon mega-project is almost finished, most of those expenses are in the past. More cash is coming out of the ground than going in.

The company's second-quarter results highlight this trend. Adjusted earnings — a metric that strips out a number of one-time items — more than doubled year-over-year to \$1.2 billion, or \$1.05 per share. Solid production growth led to a 22% bump in cash flow over the first quarter.

That trend should continue. Based on current oil prices, management projects the company's free cash flow will grow fivefold to \$5.5 billion by 2018. Much of that is likely to be returned to investors in the form of dividends and share buybacks.

And while Canadian Natural has struggled to earn top dollar for its bitumen production, new pipelines could allow the company to earn higher prices on its output. Last month, **TransCanada Corporation** ([TSX: TRP](#))([NYSE: TRP](#)) started pushing forward on its new Energy East pipeline. If approved, the proposal would single-handedly replace the controversial Keystone XL.

There are other exit avenues as well. **Enbridge Inc.** ([TSX: ENB](#))([NYSE: ENB](#)), Canada's top oil shipper, has plans to add 1 million barrels per day of export capacity over the next year. These initiatives include clearing bottlenecks in the Chicago area, twinning the Seaway pipeline, and reversing its Line 9 route.

The bottom line: Canadian Natural is a wonderful business that is gushing dividends. No, owning this stock won't impress any friends at the next cocktail party. But if you're willing to trade sexy for profits, this is a great addition to any income portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TRP (Tc Energy)
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5. TSX:ENB (Enbridge Inc.)
6. TSX:TRP (TC Energy Corporation)

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