3 Reasons Why Canadian Natural Resources Limited Is a Buy No Matter How Low Oil Goes

Description

The word is out. Last week, OPEC decided not to cut its oil production, causing the price of oil to tank and slump to the dreaded below US$70 mark.

While prices are unpredictable, some experts believe crude will fall to about US$60 a barrel, while others have even predicted a number as low as $30.

Given the degree of speculation within the sector, it's natural for investors to feel confused.

At times like these, the best way for investors to play the field is to stick to the blue chip companies that have a good reputation and strong balance sheets. Companies like these are positioned to weather a prolonged commodity storm such as the one we are currently experiencing.

One such company is **Canadian Natural Resources Limited** (TSX: CNQ)(NYSE: CNQ) – a great Canadian oil company that has massive land assets in British Columbia and Alberta. Here are three reasons why investors should buy Canadian Natural no matter how low the price of oil goes.

1. **Solid balance sheet:** Canadian Natural's last quarter was strong and beat the Street's expectations. Earnings per share came in at $0.93, and revenue also beat estimates, coming in at $6.11 billion. The company also continues to remain free cash flow positive. In the past two years, Canadian Natural has more than doubled its dividend.

2. **Strong growth potential:** The company expects its average production for the next year to be 893,000 barrels of oil equivalent per day, 11% higher than 2014. What's even more reassuring is that over the next five years, the company's production is also expected to grow annually at about 9%. Canadian Natural also owns all of its projects, which allows it the flexibility to move capital around and make adjustments immediately based on ever-changing market conditions. Its Horizon mine is currently operating at an average utilization of 98% since its turnaround in May 2013. Horizon is expected to grow to more than 50,000 barrels a day.

3. **Bargain valuations:** I can't stress this enough. Although falling crude prices are hurting the

industry, the upside is that quality companies such as Canadian Natural can be bought at a bargain. In the past three months the stock price has fallen roughly 14%. So instead of worrying about how low crude prices will go, investors should jump at this opportunity. The demand and supply issues crude is currently facing will no doubt balance out in time.

CATEGORY

1. Dividend Stocks
2. Energy Stocks

TICKERS GLOBAL

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2. TSX:CNQ (Canadian Natural Resources Limited)

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