5 Reasons Canadian Natural Resources Ltd. Could Soar in 2015

Description

Canadian Natural Resources Ltd. (TSX: CNQ)(NYSE: CNQ) is down nearly 27% in the past six months, and essentially flat for the year. Investors are probably wishing they had dumped the stock back in July, but it could be a mistake to sell the company now.

Here are the reasons why I think new investors should consider adding Canadian Natural Resources to the 2015 watch list.

1. Strong production growth

Canadian Natural had a very strong third quarter despite difficult conditions in the market. The company produced an additional 94,000 barrels of oil equivalent per day compared to the third quarter in 2013.

In its Q3 earnings statement, Canadian Natural said it expects 2015 production to be 11% higher than 2014. The production growth from existing facilities should reduce the company's operating cost per barrel. The extra output will help offset lower oil prices.

The carnage in the energy sector should be a huge benefit to Canadian Natural as it will have the opportunity to buy high-quality assets at very attractive prices. The company has a very strong balance sheet and its position as one of the biggest players in the patch gives it a lot of clout. New properties could help increase production by even more in 2015.

2. Low production costs

Much of the concern in Western Canada right now revolves around the long-term viability of the oil sands producers. Canadian Natural recently said its Horizon Oil Sands operation could produce strong free cash flow for decades if oil prices stabilize around $70 per barrel.

The current price is below $60, but most experts expect long-term oil prices to rebound.

3. Production diversity

Canadian Natural Resources probably owns the best asset mix in the Canadian energy space. The company is one of the largest natural gas producers in Western Canada and holds a variety of other top assets including the oil sands operations, natural gas liquids, and conventional oil production.

4. Efficient use of capital

Canadian Natural owns 100% of most of its projects. This gives the company the flexibility to quickly move capital to its most profitable opportunities according to the conditions in the market. This is especially helpful in the current environment.

5. Dividend growth and share buybacks

Canadian Natural has increased its dividend payout every year since 2001. The growth in the distribution has been consistent and could continue in 2015 despite the difficult market conditions. The payout ratio is only about 26%, which means Canadian Natural has a lot of flexibility with its free cash flow. The company also has an aggressive share repurchase program.

Canadian Natural Resources trades at a reasonable 12.4 times earnings. The annualized dividend of $0.90 per share currently yields about 2.5% The stock is a great pick for long-term investors. Volatility in the oil market could continue for some time, but patient investors should do well. If oil prices stabilize and begin to drift higher in the first half of 2015, Canadian Natural Resources could move significantly higher.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

Category

1. Energy Stocks
2. Investing

Date
2025/09/10
Date Created
2014/12/23
Author
aswalker