



Can the Post-Earnings Rally in Canadian Natural Resources Limited's Stock Be Sustained?

Description

Canadian Natural Resources Limited ([TSX:CNQ](#))([NYSE:CNQ](#)), one of the largest independent crude oil and natural gas producers in the world, announced fourth-quarter earnings on the morning of March 5, and its stock responded by rising over 5% in the trading session that followed. Let's take a closer look at the quarterly results to determine if we should consider buying into this rally, or if we should wait for it to subside.

The results that ignited the rally

Here's a summary of Canadian Natural Resources's fourth-quarter earnings results compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Adjusted Earnings Per Share	\$0.69	\$0.52
Revenue	\$4.38 billion	\$3.95 billion

Source: Canadian Natural Resources

Canadian Natural Resources's adjusted earnings per share increased 32.7% and its revenue increased 11.1% compared to the fourth quarter of fiscal 2013. The company's very strong earnings per share growth can be attributed to adjusted net earnings increasing 34.3% to \$756 million, which was helped by total operating expenses decreasing 15.2% to just \$2.91 billion. Its double-digit revenue growth can be attributed to total product sales increasing 12% to \$4.85 billion and total production increasing 27.1% to 860,920 barrels of oil equivalents per day.

Here's a list of five other notable statistics and updates from the report compared to the year-ago period:

1. Natural gas production increased 45% to 1,733 million cubic feet per day
2. Crude oil and natural gas liquids (NGL) production increased 19.7% to 572,040 barrels per day

3. Cash flow from operations increased 32.9% to \$2.37 billion
4. Capital expenditures increased 6.2% to \$2.22 billion
5. Ended the quarter with \$25 million in cash and cash equivalents, an increase of 56.3% from the beginning of the quarter

Canadian Natural Resources also announced a 2.2% increase to its quarterly dividend to \$0.23 per share, and the next payment will come on April 1 to shareholders of record at the close of business on March 16. The company proudly noted that this marked the 15th consecutive year in which it has increased its dividend.

Should you invest in Canadian Natural Resources today?

I think the post-earnings pop in Canadian Natural Resources's stock is only the start of a sustained rally higher, because it still trades at inexpensive valuations and because it pays a generous dividend.

Canadian Natural Resources's stock trades at just 11.1 times fiscal 2014's earnings per share of \$3.47 and a mere 9.9 times fiscal 2015's estimated earnings per share of \$3.89, both of which are extremely inexpensive compared to its five-year average price-to-earnings multiple of 20.1.

The company now pays an annual dividend of \$0.92 per share, which gives its stock a 2.4% yield at current levels, and it has raised its dividend for 15 consecutive years, so I think this makes it qualify as both a value and dividend growth play today.

With all of the information above in mind, I think Canadian Natural Resources represents one of the best long-term investment opportunities in the energy sector today. Foolish investors should take a closer look and strongly consider initiating long-term positions.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:CNQ (Canadian Natural Resources Limited)

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