



1 Message Canadian Natural Resources Ltd. Wants to Make Clear to Investors

Description

Canadian Natural Resources Ltd.'s ([TSX:CNQ](#))([NYSE:CNQ](#)) management team had one overriding message for those listening in to the company's fourth-quarter conference call. The message was pretty clear, given the fact that President Steve Laut repeated the same phrase at least three times that I counted: "Canadian Natural is built to withstand low commodity price cycles." Laut pointed out a number of reasons why the company believes this is the case.

Focused on efficiency

One of the reasons why the company firmly believes that it is built to withstand low commodity prices is due to its focus on running efficiency. The company doesn't waste capital during the boom days, which allows it to quickly tighten up when things start to turn down. Laut noted on the call that the company is stepping up its focus to ensure it's able to capture any cost reductions that are available, including lower steel costs and service costs.

The company is also a leader in using technology to improve its well productivity, and in enhancing its recovery of oil and gas from reservoirs. That technological lead also helps the company to run its business more effectively and efficiently. Further, it should help the company keep its costs low, which will enable it to thrive in a low commodity price environment.

Strong balance sheet

Another reason why Canadian Natural believes it is built for low commodity prices is due to its strong balance sheet. The company expects to end 2015 with a debt-to-EBITDA ratio of 2.3 times after investing more than its cash flow to fund capex, including its Horizon project. That's an enviable ratio in the current environment and it could end up being even better, as the company is planning to monetize its royalty assets.

That strong balance sheet is one reason why Canadian Natural actually increased its dividend this past quarter. Not only did that dividend increase mark 15 straight years that the company increased its payout, but it was a real sign of strength, as so many of its peers are either holding, cutting, or eliminating their dividends due to the current commodity price environment. In fact, the company

believes its ability to increase its dividend in spite of the environment is another sign that it's built for times like this.

Stable asset base

One other factor in Canadian Natural's ability to profit from lower commodity prices is its asset base. The company has been making a notable shift in recent years towards long-life, low decline assets like Horizon. These assets don't require as much attention, nor cash, to keep production steady for years. Because of this, the company is able to cut its spending when times are tough and still keep its production flowing, which helps the company deliver sustainable cash flow.

Investor takeaway

Way too many oil companies were built to profit under much higher oil prices. That's not the case with Canadian Natural, as it built its company to profit when oil prices are low, so that it can really cash in when prices are robust. That enables the company to continue to pay a strong and growing dividend at a time when its peers are unable to keep growing their dividends.

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