

## 3 Reasons Why Canadian Natural Resources Limited Is a Winner

### Description

The recent drop in oil prices has put pressure on most companies involved in the energy space, especially those producing oil. **Canadian Natural Resources Limited's** ([TSX:CNQ](#))([NYSE:CNQ](#)) stock is down roughly 20% over the past year, with future earnings expected to be hit significantly from lower commodity prices. As a major producer of oil, are the shares oversold? Here are three reasons Canadian Natural Resources should weather the storm:

#### 1. Canadian Natural Resources is still a leading producer with strong financial resources

Canadian Natural is the largest producer of heavy oil and natural gas in Canada. The company also has the largest level of proven oil reserves in Canada and has been able to grow proven reserves consistently over the last few years. In the coming year, it plans to increase production from 790 million barrels to 850-897 million.

On the financial front, Canadian Natural has strong backing through several bank credit facilities. With \$4.1 billion in approved credit lines, the company is well funded for the upcoming years spending budget. It has a total of \$5.6 billion in debt repayments scheduled through 2017. It should easily be able to service this debt through its existing lines of credit and strong free cash flow.

Canadian Natural's size and financial strength should also allow it to acquire valuable assets from distressed companies. It has not hesitated to make bold acquisitions in the past, including the 2014 Devon acquisition. Present circumstances could provide real opportunities for valuable additions.

#### 2. The company is also poised for positive free cash flow

At current prices, Canadian Natural is still producing positive cash flow to direct towards new projects, pay down debt, or return to shareholders. After reporting Q4 earnings that almost tripled from a year ago, the company was able to boost its dividend payout while other oil producers have cut or eliminated their dividends.

Management expects free cash flow to grow at a 34% annual rate through 2018 and anticipates generating large amounts of cash even with oil prices at \$60 a barrel. In fact, the company expects to generate \$6.1-6.5 billion in free cash flow next year even at today's depressed oil prices.

#### 3. Management is incentivized to create value

In its peer group, no other company has a higher level of management ownership. Insiders own \$941 million worth of stock, equivalent to nearly 3% of the entire company. This should help the company's leadership stay long-term focused and value oriented. Another bonus: management recently took a pay cut until the market stabilizes. Management is expected to take a 10% pay cut and the board will also reduce their pay by 10%.

## The best Canadian energy stock for 2015 and beyond

Overall, despite the recent oil price correction, Canadian Natural still offers an experienced and well-incentivized management team with strong growth opportunities. The company has an excellent balance sheet and should deliver production and cash flow growth in the coming years. Even with lower than historical commodity prices, the stock is a bargain.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

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

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