



Should You Hold Canadian Natural Resources Ltd.?

Description

Oil prices are on the slide again and most of the names in Canada's energy patch are fast approaching their 12-month lows.

The rapid decline over the past year has forced companies to lay off staff, reduce capital budgets, and cut dividends. Canadian energy executives must be wondering when the bad news will end, especially now that Albertans have elected the NDP to run the province.

Some investors see the current situation as an opportunity and contrarian investors are starting to kick the tires on a number of the country's top energy names. Here's why **Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#)) is getting a lot of attention.

Balance sheet strength

Canadian Natural Resources finished Q1 2015 with a debt-to-book capitalization of 36% and deb to EBITDA of 1.7 times. The company also has about \$3 billion available in credit lines. The strong balance sheet positions Canadian Natural Resources well to buy discounted properties as highly leveraged oil and gas operators are forced to dump assets.

Asset diversification and capital flexibility

Canadian Natural Resources arguably owns the best portfolio of energy assets in Canada. The company's holdings include light, medium, and heavy crude oil, natural gas, natural gas liquids, and oil sands.

Most of the properties are located in western Canada, but Canadian Natural Resources also operates in Africa and the North Sea.

Canadian Natural Resources tends to own 100% of its projects. This is extremely important in the current situation because the company can move capital quickly and efficiently between its assets to adjust to market changes.

For example, Canadian Natural Resources might decide to move capital out of Alberta to its properties in British Columbia.

Cost management

Canadian Natural Resources is doing a good job of managing expenses. In the first quarter the company reported a 22% year-over-year drop in operating costs on its liquids production and a 10% cost reduction in its natural gas operations.

Canadian Natural Resources also reduced its capital outlays, but still expects production growth of 11% in 2015.

Should you buy, hold, or sell Canadian Natural Resources Ltd.?

Canadian Natural Resources is a top-quality name with world-class assets and a very strong management team.

However, the oil market still hasn't stabilized and investors should be prepared to see more volatility in Canadian Natural Resources's share price over the coming months.

Current investors with a long-term perspective should be comfortable holding the stock. New investors might want to see the second-quarter numbers and year-end guidance before starting a position in the name.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:CNQ (Canadian Natural Resources Limited)

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Date

2025/09/09

Date Created

2015/07/10

Author

aswalker

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