Why Canadian Natural Resources Limited Is the Perfect Stock for an Oil Price Rebound

Description

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ) is one of the few energy companies that has not slashed its dividend during these times of low oil prices, but has actually increased it this year.

Should you buy its shares for an oil price rebound?

Business and assets

Canadian Natural Resources is one of the largest crude oil and natural gas producers in the world. It is one of the largest natural gas producers in Canada with assets situated in northeast British Columbia and northwest Alberta.

Further, it owns North American crude oil and natural gas liquids and explores crude oil internationally in the North Sea core region and offshore Africa.

The goal of buying Canadian Natural Resources

The stock price of Canadian Natural Resources is reliant on commodity prices. So, it's nice that it pays a dividend of 3%, but that shouldn't be the main reason why investors buy it.

However, the dividend serves as an indicator of the health of the business and the company's commitment to shareholders.

At the same time, the dividend provides a positive return when commodity prices head south.

Strong dividend history

Canadian Natural Resources has increased dividends for 14 years in a row. Surprisingly, it beat **Suncor Energy Inc.'s** dividend-growth history of 12 consecutive years. From 2007 to 2015 Canadian Natural Resources has increased dividends at a compound annual growth rate of over 23%.

However, be aware that Canadian Natural Resources occasionally increases its dividend at a low rate when the business environment is tough. For example, this year it only increased dividends by 2.2%.

However, Canadian Natural Resources raises its dividend at a high rate when the business performs well. For example, from 2013 to 2014 it raised its dividend by 80%.

In conclusion

From its 2014 high of $48, Canadian Natural Resources has fallen over 35% to below $31 today. It seemed to have consolidated around the $26 level in August and September, and is now consolidating around the $30 level.

It's inevitable that Canadian Natural Resources shares will go higher or lower based on the movement of the underlying commodity prices. However, the business has shown commitment to a growing dividend to return capital to shareholders.

The business is financially sound with an S&P credit rating of BBB+. It strives to be an efficient and effective producer and focuses on maximizing the value of already discovered resources instead of trying to find the next major pool, which could be hit or miss.

Canadian Natural Resources is a good energy company to sit on for an oil price rebound.

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