



Canadian Natural Resources Limited: Insider Sells \$100,000 in Shares

Description

As oil prices have rebounded to \$40 in recent weeks, shares of **Canadian Natural Resources Limited** ([TSX:CNQ](#))([NYSE:CNQ](#)) have followed suit, rising almost 50% from lows set in January. While there are plenty of factors working in the company's favour now, one insider has taken the rebound as an opportunity to unload roughly \$100,000 in shares. On March 31, William Peterson (senior vice president of production and development operations) sold 3,000 shares at roughly \$34 apiece.

Should you be concerned that insiders are starting to bail following a sudden pop in share price?

Expectations are driving price gains

With the latest jump in oil prices, Canadian Natural Resources's underlying business has clearly improved. However, the valuation may be getting a bit ahead of itself. At its current price of 1.4 times book value, shares are trading at the same level as they were in November 2014 when oil was \$50 a barrel. While profits should get a lift from oil prices going from \$30 to \$40, shares look to be pricing in a further rise in commodities.

This year analysts are still estimating for the company to lose \$1.24 a share. If oil fails to hit \$50 a barrel soon or even stabilizes at \$40, shares could fall again from a lowering in expectations.

Relief won't come this year

Apart from higher oil prices, there aren't many near-term drivers that could provide more upside to shares. Structurally, any improvements in the business won't fully come online this year; for example, the completion of the company's Horizon project won't reach full production until 2017. And while capital expenditures should gradually come down, Canadian Natural Resources still faces \$2 billion in costs this year and \$1 billion next year to finish up that project alone.

Limited options to boost cash flow are a big reason why **Moody's** anticipates negative free cash flow of about \$2 billion in 2016, not to mention two debt maturities totaling US\$750 million that need to be dealt with.

Last month **Moody's** downgraded the firm's debt to one level above junk status. "The downgrade of Canadian Natural Resources to Baa3 reflects its diminished cash flow and very high leverage in the currently weak commodities price environment," said Terry Marshall, Moody's senior vice president. "Leverage is further negatively impacted by the significant debt funded capital being incurred through 2017 to complete the Horizon expansion."

Things should be fine by 2017

Despite the rating downgrade, Canadian Natural Resources shouldn't have any issues surviving until the Horizon project starts production. As of last quarter, it had \$70 million in cash and \$3.4 billion in committed lines of credit. By 2017, however, management anticipates generating \$865 million in excess cash flow, even at \$43 oil. By 2018, the company will produce \$2.1 billion in excess cash at \$45.50 oil. If commodity prices end higher than those levels, the underlying financials could improve even more.

Insider selling is likely taking advantage of a short-term pop given there aren't many additional catalysts this year. Long term, however, the business looks to be in good shape.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2016/04/01

Author

rvanzo

default watermark