



3 Great Reasons to Buy Canadian Natural Resources Limited

Description

Despite an awful oil market, **Canadian Natural Resources Limited's** ([TSX:CNQ](#))([NYSE:CNQ](#)) investors have done quite well since the start of the year given that the stock is up more than 47%. Investors could enjoy even more upside in the future thanks to three catalysts that can drive growth in the future. They make great reasons to buy the stock and hold for the long term.

Visible growth on the horizon

Amid all the turmoil in the oil market, Canadian Natural Resources has been undergoing a pronounced transition to long-life, low-decline assets. The foundation of that shift is its Horizon oil sands project, which is expected to start producing from Phase 2B this month and Phase 3 by the end of next year. As a result, the company's spending will be coming down while production and cash flow will rise.

Because of this transition, even if oil prices remain low, the company can deliver \$600 million in free cash flow next year with that growing to \$1.5 billion the following year. That gives the company ample excess cash to boost shareholder distributions or fund growth projects. In fact, in the current \$50 oil market the company has the potential to add 155,000 barrels a day of oil via very economic growth projects.

Tremendous upside if oil prices rise

While Canadian Natural Resources doesn't need oil prices to rise to drive growth going forward, it can deliver even stronger growth if they do. In fact, if crude averages \$60 a barrel it would boost its free cash flow to \$1.4 billion in 2017 and \$3 billion in 2018.

Further, because of that stronger cash flow the company can deliver even better production growth; it's estimating that it could grow oil output by 210,000 barrels per day. That would put the company in the position to deliver 8% compound annual production growth.

Untapped upside to natural gas

While Canadian Natural Resources has excellent upside to rising oil prices, as Canada's largest

natural gas producer, it also has tremendous upside to rising gas prices. According to the company's projections, a \$1 increase in the AECO gas price for the full year would boost cash flow by an additional \$420 million.

In addition to that rising cash flow, the company has plenty of growth potential thanks to its massive 10 trillion cubic feet equivalent resource base due in part to the significant potential of its Montney and Deep Basin assets. The bulk of these assets are lucrative to drill at low gas prices.

For example, in a \$2 gas world, Canadian Natural Resources can add 1.7 Bcfe per day of gas production with that jumping to 4.7 Bcfe per day at \$2.50 gas. That is tremendous growth for a company that produced 1.62 Bcfe of gas per day last quarter.

Investor takeaway

Canadian Natural Resources doesn't need higher oil and gas prices to deliver solid production and cash flow growth in the near term thanks to the impending startup of the next two phases of Horizon. Meanwhile, if prices do rise, the company has the potential to deliver outsized returns due to its abundant opportunities to ramp output. That ability to grow in any environment is a great reason to consider buying this oil and gas company.

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