



## Income Investors: Is it Time to Buy Canadian Natural Resources Limited?

### Description

**Canadian Natural Resources Limited** ([TSX:CNQ](#))([NYSE:CNQ](#)) is an oil and gas exploration, development, and production company based out of Alberta. The management team is shareholder oriented and has rewarded investors with dividend increases and share buybacks over the past few years.

The company currently yields a sustainable 2.5%, which may not seem like much, but it's important to note that the company has upped its dividend every year over the last decade. Many pundits believe oil prices are headed higher in 2017.

Could Canadian Natural Resources be your ticket to terrific returns for 2017 and beyond?

The company has a top-notch management team that was able to keep the company above water during the rout in oil prices early last year. The company reported seven straight quarters of losses but was able to keep capital expenditures at just \$4.4 billion to be better positioned to thrive in a low-oil-price environment. Most companies in the oil patch were on their knees in early 2016, but Canadian Natural Resources was head and shoulders above the rest thanks to its ability to adapt.

Canadian Natural Resources is now focusing on growing free cash flow with its Horizon Oil Sands expansion project, which is expected to finish phase three later this year. With oil prices expected to rise to the \$60 range by the end of the year, it's possible that Canadian Natural Resources will see free cash flow go through the roof later in the year. Free cash flow is estimated to be as high as \$3 billion in 2018 if oil prices do hit the \$60 level sometime in 2017.

You can count on the company to return this large amount of cash back to shareholders in the form of a huge dividend raise. The Horizon expansion is a unique asset that will see 80,000 barrels per day in production for the beginning of 2018. The Kirby South project will yield 40,000 barrels per day starting in 2020. There's no question that the company is well positioned to boost its cash flow over the next few years.

If oil prices retreat, then you can feel comfortable knowing that the company's balance sheet will allow it to thrive, even with oil prices close to those seen early last year.

What about value?

The stock trades at a forward price-to-earnings multiple of 16, which is considerably lower than the company's five-year historical average multiple of 21.6. The price-to-book multiple is also in line with historical averages at 1.7. The company is not cheap by any means, but the free cash flow growth could indicate that a huge dividend increase could be on the horizon.

If you're bullish on oil and want a growing dividend, then Canadian Natural Resources could be the stock you're looking for.

Stay smart. Stay hungry. Stay Foolish.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

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