



Is Canadian Natural Resources Limited a Buy After its Huge Acquisition?

Description

Canadian Natural Resources Limited ([TSX:CNQ](#))([NYSE:CNQ](#)) has given investors a wild roller-coaster ride over past few years due to the volatility in oil prices. Canadian Natural Resources has a terrific management team and an attractive balance sheet, but will industry-wide weaknesses continue to be a drag on its stock? Or is it a safe way to play a rebound in oil?

Canadian Natural Resources is one of the best-run Canadian energy companies out there, and for this reason, the stock trades at a premium compared to its peers. If the price of oil returned to the levels seen in the early part of last year, the company would fare better than most of other energy companies operating in Alberta's oil patch. So, if you want exposure to Canada's energy sector without risking your shirt, then Canadian Natural Resources is a great option.

Canadian Natural Resources recently acquired oil sands assets from **Royal Dutch Shell**, an Anglo-Dutch oil and gas company from the Netherlands which, like many other foreign investors, has lost interest in Canada's oil patch. Many pundits believe that Canadian Natural Resources got the better end of the deal, but I remain skeptical.

Sure, Canadian Natural Resources may have gotten a nice discount on the assets it acquired, but this won't mean much to investors with anything less than an extremely long time horizon.

Oil prices could remain lower for longer, and there are still many other industry-wide headwinds that could hurt returns for shareholders over the short to medium term.

It's not a mystery that an investment in Albertan oil sands comes with a boatload of uncertainty. Many Canadian pundits, like Kevin O'Leary, have become bearish on Canada's energy sector. Warren Buffett recently disposed of his position in another oil sands operator, **Suncor Energy Inc.**, most likely because he's also not a fan of the uncertainty surrounding the future of the Canadian oil sands.

President Trump has publicly criticized Canada's energy sector, and there has been endless talk of carbon taxes being put in place. Both of these concerns could potentially hurt the long-term profitability of oil sands operators. Although the management team at Canadian Natural Resources is terrific, these headwinds are completely out of their control.

There's no way to know for certain what will happen down the road, but foreign investors are running scared right now. Personally, I'm pretty worried.

Canadian Natural Resources is a top-tier company, but the stock is just too expensive considering the headwinds that are likely to drag returns over the medium term. I'd only recommend picking up shares on dips if you've got a time horizon of six years or more.

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