Canadian Natural Resources Limited: Time to Buy?

Description

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ) is trading close to its 12-month lows.

Let's take a look at one of Canada's top energy companies to see if it deserves to be in your portfolio.

Results

CNRL reported Q1 2017 net earnings of $245 million compared to a loss of $105 million in the same period last year.

Funds flow outpaced capital expenditures by just under $800 million, and free cash flow, after dividend payments, came in at $515 million.

CNRL pays a quarterly dividend of $0.275 per share for a yield of 2.9%.

Growth

CNRL recently closed a major oil sands acquisition, picking up 70% of the Athabasca Oil Sands Project from **Shell** and **Marathon Oil** for $12.74 billion. The addition of the assets provides increased reliability of CNRL's oil sands operations.

CNRL is also getting record output from its Horizon oil sands mining and upgrading operations.

Production hit 192,491 barrels per day (bbl/d), representing an 8% rise over Q4 2016 and a 50% increase over the same period last year.

The company is advancing its Horizon 3 expansion with start-up targeted for Q4 2017. Production is forecast to jump by 80,000 bbl/d as a result, which should continue to lower the overall operating costs at Horizon.

Operating costs in Q1 2017 came in at $22.08/bbl, representing a 2% improvement over Q4 2016, and a 15% improvement over Q1 last year.

CNRL is also a major natural gas producer with assets in some of the top plays in North America, including the Deep Basin and Montney regions.

Balance sheet

CNRL has a strong balance sheet, which gives it the freedom to make strategic acquisitions while the energy sector is under stress.

As of March 31, the company had $7.4 billion in bank facilities in place, of which $3.5 billion was available.

Debt-to-book capitalization was 38%, putting the company within its target operating range.

Should you buy?

Owning any oil and gas producer requires a belief that energy prices are headed higher in the long term. If you believe the recent oil pullback is overdone, and prices will drift higher in the coming year, CNRL might be worth considering at the current price.

You’ll get a top-quality, diversified oil and gas producer and collect a nice dividend while you wait for better days.

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