A Top Oil Stock to Buy Right Now

Description

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ) is special, because it offers a long life, a low-decline portfolio, and oil and gas assets that have given the company a predictable and reliable stream of cash flow with little reserve-replacement risk. This means investors get exposure to the sector's upside, while mitigating the downside risk.

Canadian Natural Resources's production is 70% weighted to crude oil, with 22% of its production coming from the company's most heavily weighted operation: the Horizon oil sands.

In the latest quarter, ended June 30, 2017, the company reported very strong increases in cash flow from operations, free cash flow, and production. Funds from operations increased $788 million to $1.7 billion, free cash flow was $840 million, or $530 million after dividend payments, and production increased 16% year over year.

There are a few catalysts that will mean enhanced shareholder returns in the next few years.

We can expect Canadian Natural Resources to continue to see a significant ramp up in free cash flow generation in the next year.

This will be driven by the company's recent acquisition of 70% of the Athabasca Oil Sands Project (AOSP), which provides an immediate increasing contribution to cash flow and provides the opportunity for efficiencies due to the close proximity of AOSP to Canadian Natural Resources's Horizon oil sands operation, which will further enhance its contribution to cash flow in the medium term.

So, we can expect that the two mining operations will be more effective and efficient than they would have been on a standalone basis.

The ramp in free cash flow will also be driven by the company's plans for a 45-day turnaround at its Horizon operation. The company is embarking on this expansion which will see the tie-in of phase three (adding 80,000 barrels a day), and optimization initiatives which will continue to increase the company's ability to maximize returns in its operations.

This cash flow will be used to strengthen the balance sheet, it will be returned to shareholders, and it will be used for organic and acquisition opportunities. All of these uses of cash will act as a catalyst for the stock.

We should note that Canadian Natural Resources has never cut its dividend. Ever. This is relevant when we consider the carnage that has happened in the oil and gas sector recently, but also if we just consider the general cyclical nature and volatility of the sector.

So, I think that future dividend increases from the company can be expected to act as a catalyst for the stock. Canadian Natural Resources is forecasting a 17% increase in its dividend this year to $1.10 per share. The current dividend yield is 2.82%.

The company reports third-quarter results in November.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/27
Date Created
2017/09/14
Author
karenjennifer