



## Should You Buy Canadian Natural Resources Ltd. (TSX:CNQ) Stock Today?

### Description

The recovery in the [energy sector](#) is having a disproportionate impact on the stocks of companies in the Canadian oil patch.

Some stocks are trading near all-time highs, while others continue to limp along, barely hovering above their multi-year lows. As a result, investors have to be careful when deciding which names they want to add to their portfolios.

Let's take a look at **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) to see if it deserves to be on your buy list today.

### Earnings

CNRL delivered strong results in Q2 2018, supported by the company's balanced asset base which stretches across a number of segments in the oil and gas market.

Quarterly funds flow from operations (FFO) hit a record \$2.7 billion and adjusted net earnings came in at \$1.3 billion compared to FFO of \$1.73 billion and adjusted net earnings from operations of \$332 million in Q2 2017.

Production topped 1.05 million barrels of oil equivalent per day (boe/d) compared to 913,000 in the same period last year.

### Growth

CNRL took advantage of its strong balance sheet to make strategic acquisitions in recent years, and those deals are a big reason the company is delivering such strong results. CNRL spent \$975 million in the fall of 2017 to acquire assets primarily located in the Greater Pelican Lake region, adding close to 20,000 boe/d of production. Earlier in the year, CNRL spent nearly \$13 billion to acquire a majority interest in the Athabasca Oil Sands Project. While the number sounds big, the purchase was a good deal. CNRL CEO Steve Laut said the company acquired the assets at a 40% discount to the cost of building the facilities.

Aside from acquisitions, CNRL has decades of organic growth opportunities through its resource base, which includes natural gas, natural gas liquids, light oil, and heavy oil deposits. Overseas operations are located in the North Sea and Offshore Africa.

### **Dividends and share buybacks**

CNRL doesn't often come up as a favoured dividend pick, but that might begin to change. The company announced a 22.5% increase to the distribution in May. The current quarterly payout of \$0.335 per share provides an annualized [yield](#) of 3%.

The company is also returning cash to shareholders through its share-buyback program. Under the latest normal course issuer bid, CNRL intends to purchase up to 5% of the outstanding common equity float through May 2019.

### **Should you buy?**

CNRL is widely viewed as having the best oil and gas resource portfolio in Canada, and the broad mix gives management the flexibility to allocate capital to segments of the market that deliver the best margins as prices shift. Continued dividend growth should be in the cards, supported by rising production.

If you are looking for a world-class pick in the energy sector, CNRL should be an attractive choice to put in a buy-and-hold portfolio.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

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aswalker

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