



## This Stable Dividend-Paying “Oil Sands King” Could Make You Rich on the Dip!

### Description

To say Alberta's oil patch has been troubled over the last year would be a vast understatement.

Although WTI (West Texas Intermediate) prices have picked up traction, the heavy WCS (Western Canadian Select) still remains depressed, as its discount to WTI continues to grow thanks to the Canadian pipeline bottleneck that's causing a growing glut of heavy crude.

In the coming months, oil sands operators are slated to face even more pressure, as U.S. refineries temporarily go offline as they [undergo maintenance](#), according to a report issued by Andrew Botterill of Deloitte.

Add this industry pressure with macroeconomic fears and an [elevated level of volatility](#), and you've got all the makings of a wonderful near-term short.

Consider the oil sands kings in **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Suncor Energy**. They've both been resilient in the face of industry-wide weakness thanks to their bulletproof balance sheets and stable integrated operating cash flow streams. Each oil sands king has traded at a premium thanks to their abilities to withstand a lower oil price environment and maintain stable, generous dividend payouts through thick and thin.

Let's have a closer look at the higher-yielding oil sands king Canadian Natural and the rare opportunity that, I believe, is on the horizon.

At the time of writing, Canadian Natural offers a bountiful 3.54% dividend yield, which is fully covered by the company's free cash flow stream. The company has been riding out the low WCS environment quite well, and although the company's waiting for higher oil prices to turn on the taps to promising new projects, integrated operations are still firing on all cylinders and will allow the company to continue to grow its dividend, as the spread between WCS and WTI continues to swell to record levels.

### Valuation after the latest pullback

The stock trades at a mere 1.4 P/B, a 2.1 P/S, and a 5.1 P/CF, all of which are considerably lower than

the company's five-year historical average multiples of 1.6, 2.7, and 7.8, respectively. Moreover, the dividend is over 1% higher than the five-year historical average yield of 2.4%.

After the latest dip, income investors with a long-term time horizon could certainly do well by picking up the name at current levels. Given the recent pressure in the broader markets and the heavy oil fields, however, I believe a more attractive entry point will be in the cards at some point over the next few months.

### **Technically and fundamentally speaking, more pain could be ahead**

You see, CNQ stock looks to have a double-top technical pattern forming, which could ultimately lead to a further decline to the low \$30 levels over the near term, implying 10-15% in further downside.

As you may know, technical analysis doesn't at all consider the fundamental story. When you piece together near-term pressures (broader pullback in stocks, incoming pressure on WCS prices) on the horizon, however, I think the probability of a double-top bearish technical pattern coming to fruition is quite high. As such, I'd encourage investors to wait for a better price before picking up shares of CNQ and to initiate a short position in the meantime.

### **Foolish takeaway**

Canadian Natural Resources stock may be cheap, but given the near-term headwinds, the stock could realistically get even cheaper in the coming months. I wouldn't be surprised to see the stock sporting a +4% yield soon, so investors should exhibit patience when it comes to pulling the trigger on the oil sands king.

If you're itching to grab a bargain after last week's sell-off, I'd encourage investors to look elsewhere. Keep an eye on the oil sands kings, Canadian Natural Resources in particular for now, and be ready to pull the trigger when the time comes.

Stay hungry. Stay Foolish.

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