



The Top Dividend Stock to Buy Now for Big Upside and Income

Description

My colleague, Christopher Liew, kindly brought to our attention the [top Canadian stock holdings](#) of the Canada Pension Plan Investment Board (CPPIB).

Recall that the CPPIB is a professional investment management team that invests on behalf of 20 million Canadian contributors and beneficiaries. Naturally, it has a long-term investment view, which is what we focus on here at the Fool.

Why Canadian Natural Resources is absolutely attractive!

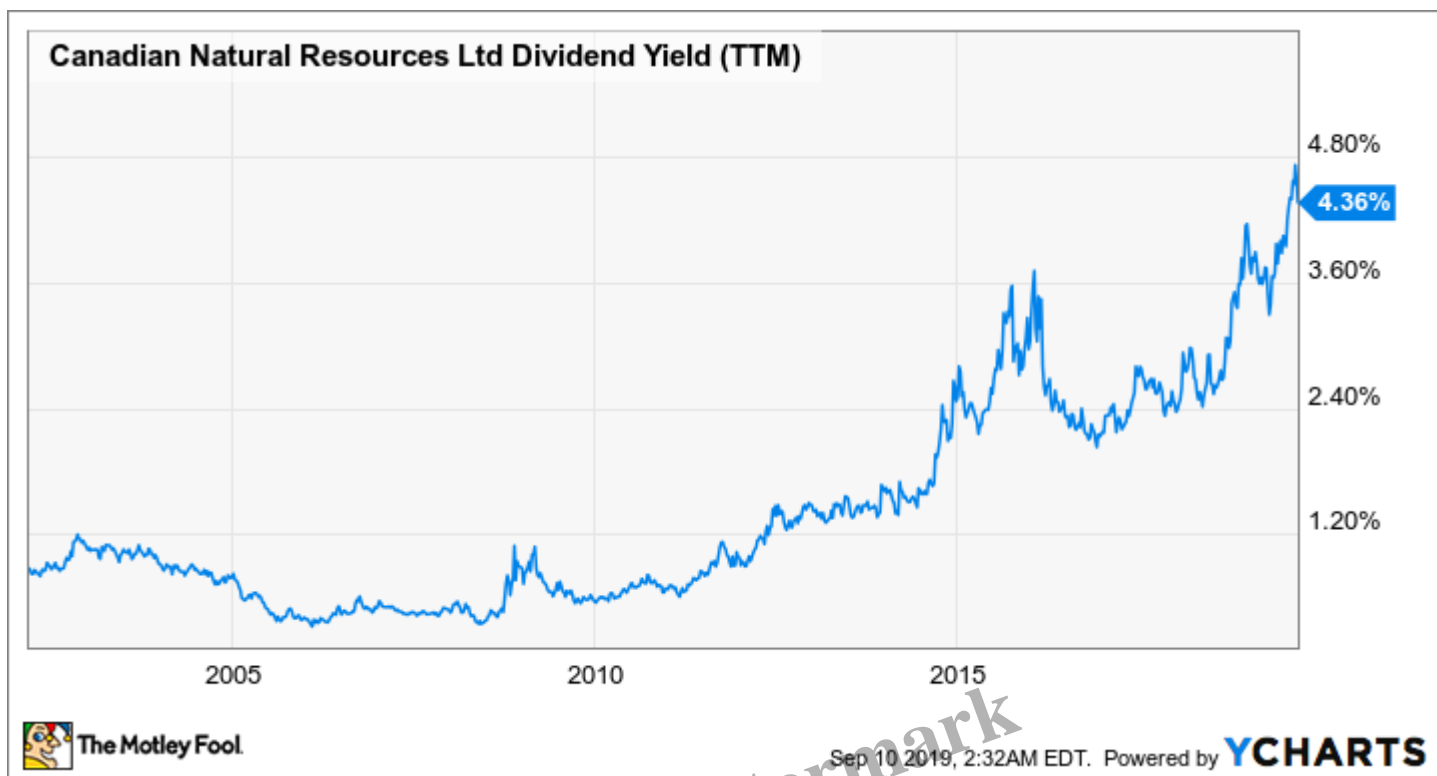
One specific top holding that caught my attention was **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)). It was the second-largest holding in CPPIB's Canadian stock portfolio at the end of the first quarter. At the time, it had 28,797 shares of the stock, which equates to roughly \$938 million at the recent quotation of \$32.57 per share.

Notably, Canadian Natural Resources just bought back \$632 million worth of common stock at an average cost of \$36.95 per share in the first half of the year. This means that investors like you and me can grab the stock at a 12% discount from that price.

In fact, according to the analysts' average target of \$46.30 per share, CNQ stock is an incredible value, being priced at a discount of approximately 30%, which also implies upside potential of 42%.

A big dividend that adds to returns

You can't control when the stock will go up. However, you can enjoy the safe 4.6% yield that CNQ stock provides while you wait for price appreciation.



CNQ Dividend Yield (TTM) data by YCharts.

Canadian Natural Resources's yield is near an all-time high thanks to years of dividend increases and a roughly 30% correction in the stock price.

CNQ has increased its dividend for 18 consecutive years with three-, five-, and 10-year dividend-growth rates of 13.4%, 18.4%, and 21%, respectively. Its most recent dividend hike was 11.9% in Q1.

You can be reassured that the dividend is safe. In the trailing 12 months, CNQ generated more than \$4.6 billion of free cash flow, but it only paid out 36% of it as dividends.

Investing for growth

In the first half of the year, CNQ more than doubled its investment, investing nearly \$5.5 billion compared to \$2.5 billion year over year.

Given that the oil and gas industry is closer to a trough than a peak of a cycle, it's a good time to invest for the long term. CNQ is one of the few large-cap companies that can do so while maintaining a strong balance sheet.

Foolish takeaway

The North American stock markets are near all-time highs, so [bargains](#) may be difficult to find. Canadian Natural Resources stock could be a great buy after correcting meaningfully like many other energy stocks. Not only does CNQ stock offer massive upside potential of +40% but it also provides a big and safe yield of 4.6% for the wait.

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1. Editor's Choice

TICKERS GLOBAL

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

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