



Canadian Natural Resources (TSX:CNQ): A Top Energy Stock to Buy and Forget

Description

The energy sector is the place to look today for some [wildly undervalued stocks](#) and wildly undervalued assets. This is especially true in the Canadian energy sector, where we have seen mounting problems in the form of environmental concerns, a lack of pipeline capacity, and stranded oil and gas, all of which just perpetuate the idea that the Canadian energy sector is dead.

But is it really?

Addressing climate change and infrastructure problems

Alberta's oil and gas sector has been quietly responding to the environmental crisis, developing technologies to minimize greenhouse gas emissions and clean up its footprint.

For example, last month, Suncor announced a \$1.4 billion investment to install two highly efficient natural gas-fueled cogeneration units to replace three coke-fired boilers.

This is a move that's expected to reduce greenhouse gases by approximately 25%, as well as reduce sulphur dioxide and nitrogen oxide emissions significantly.

The lack of pipeline capacity and Canada's inability to rectify this is the other problem that leads to the idea that the oil and gas sector is dead. Here too, Alberta's oil and gas sector is working on ways to take the solution into its own hands, and ultimately overcome this problem.

For example, we know that crude by rail shipments have skyrocketed already, but there are environmental concerns. Moving the oil in a semi-solid state has been proposed, and we now have the first test shipment of oil in semi-solid form to B.C. for ultimate shipment to China.

Canadian Natural Resources to keep churning out the cash flow

Canadian Natural Resources Ltd. ([TSX:CNQ](#))([NYSE:CNQ](#)) is among the energy stocks that stand to

benefit greatly in 2020 from these developments as they take hold.

[Short-term volatility and noise in the marketplace](#) makes this a difficult proposition, but if we consider that even today, with all the challenges that exist in the Canadian oil and gas sector, Canadian Natural is churning out massive cash flows, it starts to look more attractive.

In fact, a hallmark of CNQ's business has been its ability to generate impressive cash flows. This has presented the company with the best of "problems," that is, what to do with all this cash?

It's a good dilemma to have, and as a shareholder, one that I'm perfectly happy to watch unfold as I collect hefty dividend payments.

CNQ stock price has continued to falter despite the fact that the company's actual company-specific fundamentals look really good. The stock is down almost 20% in the last year despite continued strong results.

In the second quarter of 2019, Canadian Natural generated free cash flow after capital expenditures and dividend payments of \$1.295 million, a testament to its strength.

Foolish bottom line

Normally, cyclical stocks are not the best stocks to buy and forget. But today, I think we can make an exception with Canadian Natural Resources stock because this is a stock that has strong financials behind it.

Its sector is constantly inundated with bad news, driving share price volatility, which has ultimately led to a very attractively valued stock.

All the bad news notwithstanding, as I touched upon in this article, there's definitely hope that the tide can turn. There's real shareholder value being created as the company continues to return cash to shareholders.

A current dividend yield of 4.25% is supported by massive and growing cash flows, an aggressive share buyback program, and a stock price that's trading at attractive valuations all support my thesis.

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. Business Insider

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/26

Date Created

2019/10/06

Author

karenjennifer

default watermark

default watermark