This Stock Still Has Massive Upside After Positive Earnings

Description

Since my timely article on **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) on Sunday, the stock has appreciated 8.5%. The stock popped more than 8% yesterday after it reported stellar third-quarter earnings and revenue that beat analyst estimates.

For the quarter, Canadian Natural Resources generated revenues of nearly $6.2 billion, up 4.4% over the comparable quarter in the prior year.

Additionally, its adjusted earnings per share of $1.04 were 27% higher than the analyst consensus estimate, namely because it's all doom and gloom when it comes to any Canadian oil and gas producer. In other words, the analysts were generally overly pessimistic about the poor stock.

Canadian Natural Resources is anything but poor! It is one of the largest and strongest producers in the country. Importantly, it has been a brilliant operator by reducing operating costs on most of its assets.

For example, in the third-quarter press release, the company indicated that it reduced the corporate operating costs per barrel of oil equivalent by roughly 11%, including at its Pelican Lake asset where sustainable operating costs of $6.10 per barrel were achieved, a reduction of 5% year over year.

It went on and stated, "Also on a year-over-year basis our Thermal in situ assets operating costs improved by approximately 14% to $9.77/bbl and our Oil Sands Mining and Upgrading assets delivered an approximate 12% reduction in operating costs to $20.05/bbl of Synthetic Crude Oil (SCO), comparable to the record low of $19.97/bbl of SCO in Q4/18."

This is the kind of business that not only survives but thrives in a low energy price environment! In fact, its adjusted funds flow per share increased by 5.2% to $2.43 over the comparable quarter a year ago.

Year to date, Canadian Natural Resources's adjusted earnings per share actually fell 9%, but its adjusted funds flow per share had been keeping steady by increasing 1.7% year over year. So far into the year, the adjusted funds flow was almost $7.8 billion!

At $37 per share at writing, CNQ stock still offers a juicy yield of just north of 4%. It has increased its dividend for 18 consecutive years with a five-year dividend-growth rate of about 18% and an even greater 10-year dividend-growth rate of 21%!

Investor takeaway

I have full confidence that CNQ stock will continue to increase its dividends because of its large-scale and market-leading production, careful cost control, and strong cash flow generation.

Additionally, it still offers massive upside potential of about 20%, according to the 12-month average analyst target of $44.40. The price appreciation alone would be twice the average market returns!

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. Editor's Choice

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
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/07/31
Date Created
2019/11/08
Author
kayng