BUY ALERT: 1 Dividend Stock to Protect Your Portfolio From Rising Uncertainties

Description

On Friday, the broader market continued to trade on a negative note after losing nearly 1% on Thursday. This morning the **S&P/TSX Composite Index** was down by 0.4%. Rising U.S.-China tensions primarily drove today's negative movement.

A couple of days ago, the U.S. government ordered Chinese consulate in Houston to close operations. On Friday, China retaliated by ordering to shut the U.S. consulate in Chengdu — a city in China's Sichuan province. Following the news of escalating U.S.-China conflicts, the **Shanghai Composite Index** fell by about 4% on Friday, while the U.S. stock market benchmark **S&P500 Index** is trading with a 0.5% decline for the day.

Apart from rising geopolitical tensions between the world's two largest economies, rapidly increasing daily COVID-19 infections in North America are making investors cautious. In such difficult times, you need to protect your investment portfolio by adding some good dividend-yielding stocks to it. Let's take a look at one such high-dividend-yielding TSX stock and discuss why you should buy it right now.

Canadian Natural Resources'S recent financials

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a Calgary-based oil and gas exploration and production company with its focus on North America and the North Sea. In 2019, the company made 92% of its total revenue from North America. Canadian Natural's oil sand mining and upgrading segment accounts for nearly half of its total revenue.

In the first quarter, the company reported a 14% year-over-year decline in its revenue to $4.5 billion, and adjusted EBITDA fell by more than 50% to $1.2 billion. Earlier this year, oil demand nosedived — mainly due to the COVID-19 related closures across the globe. This affected Canadian Natural Resources's first-quarter revenue. As a result, it reported an adjusted net loss of $295 million in Q1 2020 — as compared to an adjusted net profit of $838 million in Q1 2019.

Like many other oil and gas companies, Canadian Natural Resources has strong profitability. In 2019, the company reported an adjusted EBITDA margin of 49.7% and an adjusted net profit margin of

16.3%.

Outlook

The pandemic-related uncertainties have forced many companies — including Canadian Natural — to withdraw their 2020 guidance. Nonetheless, the company expects to meet its previously issued production guidance if the current strip pricing continues for the remainder of 2020.

Currently, Bay Street analysts' estimates suggest that Canadian Natural Resources will report its next net profit in the first quarter of 2022. However, gradually recovering oil and gas demand could bring the company back on profitability track much sooner than expected, in my opinion.

Foolish takeaway

These days, many large businesses are forced to cut their dividends to save cash to deal with future uncertainties. However, Canadian Natural's management doesn't plan to cut its dividends.

If you closely analyze Canadian Natural's business model, you'd find it robust and sustainable — as the company claims set to be. As of July 24, Canadian Natural Resources has a strong dividend yield of 7%. Due to its sustainable business model and solid free cash flow, the company expects to maintain its current dividend levels.

Its solid profitability, stable business model, and healthy dividend yield are some of the reasons you may want to buy Canadian Natural Resources stock right now. As of July 23, its stock has lost 42% as compared to about 6% losses in the TSX Composite benchmark. But I expect it to start recovering in the second half of 2020 after it reports Q2 results in the first week of August.

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