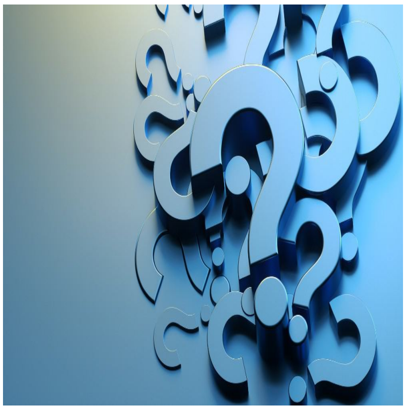

Is Canadian Natural Resources (TSX:CNQ) Stock a Buy Right Now?

Description

Oil is the one commodity that gives us an indication of how the broader economy is doing. Almost every facet of the world economy is connected to oil. It's been six months since the pandemic has hit the world, and many industries are struggling to get back on track.

The oil and gas industry has been hit especially hard as sectors like air travel that are major consumers of oil are simply finding out that no one wants to travel. In the first half of September, **Air Canada** and Westjet canceled 439 flights because the expected spike in demand never occurred. Clearly, air travel isn't coming back anytime soon.

There has been a great deal of consolidation in the oil and gas sector as companies with strong balance sheets have gobbled up companies with cash flow problems. Once the dust from the pandemic settles, there will be a few giants left standing in the field. As an investor, you want to make sure you are invested in them. One such giant will be **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ).

Canadian Natural is one of the largest producers of oil and gas in the country. The company hasn't been immune to the impact of the pandemic and the oil crisis this year as it posted a loss of $310 million and revenue of $2.87 billion in the second quarter of 2020 compared to a $2.8 billion profit and $5.56 billion in revenue in the same period in 2019.

Canadian Natural Resources has a dividend yield of 7.9%

However, its stock has made a good recovery after it dropped to $12.15 in March before climbing back 78% to $21.63 today. The company sports a juicy 7.9% dividend yield today and is one of the few companies in this space that hasn't cut dividends to conserve cash this year.

In August, CNQ announced that it would acquire **Painted Pony Energy**, a smaller natural gas producer based out of British Columbia for $461 million, and assume its debt of $350 million. Natural gas prices have been weak over the past three years, and a recent decline in natural gas liquids (NGL) prices had decimated Painted Pony's cash flow and had deprived the company's ability to access funds from external markets.

Canadian Natural knows that once the pandemic has run its course; however long that may take, Painted Pony's assets will pay off.

Apart from Canada, Canadian Natural operates in the North Sea and Offshore Africa as well. The company produced 1.02 million barrels of oil a day in Q2 of 2019. In Q2 of 2020, the number increased to 1.16 million barrels. As lockdown restrictions lift, the production will go up.

On June 30, 2020, the company had $233 million in cash and cash equivalents, and a long-term debt of $21 billion, which gives it a debt to total capital ratio of 39.6%.

Canadian Natural's resilience and ability to generate cash flows have been called into question before but the company has proved that it is more than capable of rising to the challenge.

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