
1 Safe High-Yield Dividend Stock to Buy for October

### Description

When equity markets crash, a fall in portfolio value is not the only problem for investors. Several people might depend on investment income for their daily expenses, and they might be impacted if companies cut or suspend their dividend payouts.



This might even lead to investors selling their stocks at a lower price or even at a massive loss. So, it makes sense to buy stocks that have survived multiple recessions and have maintained their dividends across economic cycles.

The market crash in early 2020 sent energy companies to their multi-year lows, as the COVID-19 pandemic coupled with a price war between Saudi Arabia and Russia sent oil prices spiraling downwards.

While the market recovery was driven by tech stocks, energy companies continue to trade at a lower valuation. Let's take a look at one Canadian energy giant that has managed to maintain its dividend payout and can move higher when oil prices recover.

## Canadian Natural Resources has a forward yield of 8%

**Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) is one of the country's largest oil producers. In the June quarter, it reported a net loss of $310 million on revenue of $2.87 billion. Comparatively, its net income stood at $2.8 billion, while total sales were $5.6 billion in the prior-year period.

We can see Canadian Natural Resources has been impacted by the COVID-19 to a large extent. The company's stock price has fallen from a 52-week high of $42.57 to its current trading price of $21.22. However, it has also made a strong comeback since it touched a multi-year low of $9.8 in March 2020.

The correction is the stock price has meant it has a forward dividend yield of 8%. So, a $10,000 investment in CNQ stock will generate $800 in annual dividend payments.

Investors should note that CNQ increased its dividends by 13% in March, which was its 20th consecutive year of dividend increases. In this period, it has increased dividend payments at an annual rate of 20%.

The company is banking on its low-cost structure, which helps it navigate a sluggish price environment and maintain its dividends. It needs the U.S. crude oil benchmark to average $31 a barrel to break even. Currently, oil is trading just over US$40 a barrel.

In Q2, CNQ's adjusted fund flow was $415 million and capital expenditure was marginally higher at $421 million. It ended the June quarter with $4.1 billion in cash, while the company's term facility was $1 billion.

## The Foolish takeaway

Canadian Natural Resources is confident in navigating the ongoing uncertainty. Company CFO Mark Stainthorpe said, "Net debt at the end of the quarter was CAD22.8 billion with debt to book capital of just over 41%, well below our bank covenant and within the company target range of 25% to 45%." He added, "With our low maintenance capital program of CAD2.7 billion and the ability to keep production flat, we target significant free cash flow in the second half of the year at current strip pricing, which result — which would result in ending 2020 debt being flat to down from ending 2019 levels."

The company's investment-grade balance sheet and robust liquidity coupled with an estimated increase in cash flow make it a top dividend stock to buy right now.



**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. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**Date**
2025/08/24
**Date Created**
2020/10/05
**Author**
araghunath