



## Top TSX Stock: The New King of the Canadian Oil Patch Is a Great Buy

### Description

**Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is a Canadian dividend stock that's [come a long way](#) since the ominous depths of last March. The ailing fossil fuel play may not be the same steal as it was last year, but it remains near the top of my watchlist, as shares are still looking quite undervalued, given the now dramatically improved industry environment.

Oil prices, which are trading at a hair shy of the US\$65 mark, are in [rally mode](#). Some pundits think it could surpass the US\$70 mark this year. I think that's more than plausible. In fact, count me as unsurprised if WTI booms to US\$100 once again, propelling the Canadian dollar to even higher levels.

Oil at US\$100 probably isn't as shocking as negative oil prices were last year. In any case, I think the post-pandemic environment could fuel an energy boom that could shock the many people who ditched their oil shares for overvalued green energy stocks over this past year.

## Why Canadian Natural Resources remains a top pick, even after more than tripling off last year's lows

Canadian Natural Resources back to where it was before it fell off a cliff in the first quarter of 2020. The company's managers didn't panic last year, even when oil went negative. Instead, the company kept its dividend intact (it swelled above 8% for most last year) while walking away with an incredibly cheap acquisition in a deal that I thought was the biggest steal of the year. Canadian Natural's acquisition of Painted Pony Energy not only came at a low sticker price (\$461 million), but it helped Canadian Natural diversify itself beyond oil.

Painted Pony is a stellar natural gas play, with remarkable assets in the Montney region of northeast British Columbia. The cash and debt deal further solidifies Canadian Natural's portfolio of energy assets, and it could allow the firm to pay ample dividends for many years down the road.

## The new king of the Canadian oil patch

Through last year's turmoil, Canadian Natural Resources surpassed its peer **Suncor Energy** for the title of king of the oil sands, a title that's well deserved. Since bottoming out last year, Canadian Natural stock has been unstoppable, while Suncor remains off a great deal from its high, likely because of management's decision to slash its dividend. I wouldn't be surprised if the income-savvy investors at Suncor jumped ship to the new king in Canadian Natural.

In any case, Canadian Natural is the new leader in the space with its wealth of untapped crude assets. Should oil prices have one more boom left in them, Canadian Natural could begin to turn the spigot back on in a big way. And investors standing by the name could stand to be rewarded with big gains alongside a juicy, growing dividend.

## Foolish takeaway

Today, CNQ stock sports a 4.5% yield. The stock trades at 2.6 times sales and 1.5 times book, both of which are still lower than that of industry averages. Like it or not, CNQ is a momentum, income, and value stock rolled into one. As commodities continue to boom, I'd look to CNQ stock to continue roaring higher.

### 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

2025/08/20

**Date Created**

2021/05/20

**Author**

joefrenette

default watermark

default watermark