



What to Expect From Canadian Natural Resources's Q4 Earnings

Description

Canadian energy stocks have been trading at record levels this year. They will likely report solid Q4 2021 numbers, so the stocks might get another important impetus. Canadian energy bigwig **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) will report its Q4 2021 earnings on March 3, 2022. The stock has doubled since last year. How its upcoming numbers fuel the stock will be interesting to watch.

CNQ to report Q4 numbers this week

The numbers will likely be higher than last year. Energy companies reported so far have shown a similar trend. Moreover, crude oil prices are up almost 60% relative to last year. So, we might get to see superior revenue growth along with margin expansion at CNQ this week.

According to analysts' estimates compiled by *Yahoo Finance*, Canadian Natural will report \$8.5 billion in quarterly revenues. That represents a handsome 70% growth year over year. Analysts expect its EPS at \$2.14 in Q4 2021 against a year-ago EPS of \$0.15.

Though the energy sector underperformed from 2014 to 2020, CNQ has delighted shareholders with [epic returns](#) since mid-2020. Apart from earnings growth, what's more important is the balance sheet strength CNQ has achieved in this oil supercycle. Energy companies repaid debts with incremental free cash flows and deleveraged their balance sheets since last year.

Solid earnings growth and balance sheet

Canadian Natural had a net debt-to-EBITDA ratio of over three times in late 2020, which came to one times at the end of Q3 2021. How it paid debt during the fourth quarter remains to be seen. Such deleveraging makes future funding available at lower rates and makes the balance sheet less susceptible to price shocks.

Like peers, CNQ is not too keen to increase production. So, debt repayments and dividends will remain its priority this year rather than increasing capital expenditures.

CNQ, Canada's biggest energy company, is one of the stable dividend payers on the TSX. It has increased shareholder payouts for the last 22 consecutive years. It will pay \$2.35 per share in [dividends](#) this year, indicating a dividend yield of 3.5%.

CNQ has returned approximately \$10 billion in dividends and share buybacks as free cash flows substantially increased in the last two years. If the oil prices continue to climb higher, CNQ might increase its payout, beyond its regular course, in the next few quarters.

Valuation

CNQ has created a meaningful value for shareholders since the pandemic. Steadily increasing dividends and steep stock rally generated market-beating returns in the last few years. Nonetheless, CNQ stock does not look too stretched from the valuation angle. It is currently trading 10 times its next year's earnings, which is lower than its peers.

So, the discounted valuation indicates decent growth potential in the future. If you are not yet invested in the energy sector, CNQ stock seems to be an attractive bet for long-term investors. Rallying energy prices, strong earnings potential, and stable dividends could unlock significant value this year and beyond.

CATEGORY

1. Energy Stocks
2. Investing

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