



For \$1,000 in Monthly Passive Income, Buy 3,529 Shares of This TSX Stock

Description

Historically, quality [dividend stocks](#) have outpaced the broader markets by a wide margin. Companies that have a history of maintaining and even increasing dividends across economic cycles typically have a strong balance sheet and stable cash flows, allowing them to deliver outsized gains to shareholders.

One such top dividend stock trading on the TSX is **Canadian Natural Resources** ([TSX:CNQ](#)). Valued at a [market cap](#) of \$86 billion, CNQ stock currently offers investors a tasty dividend yield of 4.4%.

Let's see how investors can earn \$1,000 in monthly passive income by investing in this energy giant.

COMPANY	RECENT PRICE	NUMBER OF SHARES	DIVIDEND	TOTAL PAYOUT	FREQUENCY
Canadian Natural Resources	\$77.69	3,529	\$0.85	\$3,000	Quarterly

What does Canadian Natural Resources do?

A diversified company operating in the energy sector, Canadian Natural Resources has assets in North America, the United Kingdom, and Offshore Africa. Its focus on maintaining financial discipline, and building a robust balance sheet, coupled with the capacity to generate free cash flows across market environments, has allowed CNQ to deliver market-thumping gains in the last 20 years.

CNQ has a balanced mix of natural gas, crude oil, bitumen, and synthetic crude oil, showcasing a diversified asset portfolio of the global independent energy producer. Its long-life, low-decline asset base enables Canadian Natural Resources to generate cash flows, even if oil prices move lower.

Over the years, CNQ has created value for shareholders on a per-share basis on the back of dividend payouts and stock repurchases. Currently, CNQ offers investors a tasty dividend yield of 4.4%, which is quite attractive for the income-seeking investor.

Last year, it also announced a special dividend of \$1.50 per share as the company doubled cash flows in the second quarter (Q2) of 2022.

Going forward, CNQ aims to distribute 50% of free cash flows towards repurchases and the rest to strengthen its balance sheet. Here, it defines free cash flow as the difference between adjusted funds flow and capital expenditures as well as dividends. Once its net debt is below \$8 billion, it will increase these returns to investors.

A look at CNQ stock price and dividends

One of the top-performing TSX stocks in the last 20 years, CNQ has returned close to 2,000% to investors in dividend-adjusted gains. Despite massive fluctuations in oil prices, CNQ has increased its payouts at an annual rate of 21% since February, which is exceptional, to say the least.

CNQ stock continues to trade at a discount, as the stock is priced at less than seven times forward earnings.

CNQ stock has already returned 150% to investors since January 2021 due to a sharp rebound in oil prices. But even if oil prices experience a pullback in 2023, its low cost of extraction and attractive cost profile will enable the oil giant to deliver profits.

The Foolish takeaway

For investors to earn \$1,000 in monthly dividend income, or \$12,000 in annual dividend income, you need to buy 3,529 shares of CNQ, which would cost you a whopping \$274,168 at current prices. But investing such a substantial amount in a single stock does not make financial sense, as these payouts are not guaranteed.

Instead, you should identify similar stocks with juicy dividend yields and strong balance sheets to create a diversified portfolio of dividend-paying companies.

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