Canadian Natural Resources (CNQ)

Updated March 7th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$28	**5 Year CAGR Estimate:**	7.6%	**Market Cap:**	$58.9 B
Fair Value Price:	$29	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	3/21/2025
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.6%	**Dividend Payment Date:**	4/4/2025
Dividend Yield:	5.9%	**5 Year Price Target**	$32	**Years Of Dividend Growth[1]:**	26
Dividend Risk Score:	D	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Canadian Natural Resources is an energy company that operates in the acquisition, exploration, development, production, marketing, and sale of crude oil, natural gas liquids (NGLs), and natural gas. It is headquartered in Calgary, Alberta, and the common stock is cross listed on the Toronto Stock Exchange and the New York Stock Exchange, where it trades with a market capitalization of US$58.9 billion. All the figures in this report are in U.S. dollars. On June 11th, 2024, Canadian Natural Resources executed a two-for-one split. All the figures in this report have been adjusted for this split.

In early March, Canadian Natural Resources reported (6/3/25) financial results for the fourth quarter of fiscal 2024. The company grew its production 4% over the prior year's quarter. However, the price of oil significantly decreased. As a result, the earnings-per-share of Canadian Natural Resources decreased -20%.

Canadian Natural Resources has raised its quarterly dividend by 4% this year and thus it has grown its dividend (in CAD) for 26 consecutive years, at a compound annual growth rate of 20%. This is an admirable accomplishment for a company that belongs to the highly cyclical energy sector. The company reiterated that its dividend is covered by cash flows thanks to its low-cost reserves. Management expects 12% production growth this year, a sector-leading growth rate, but the price of oil has fallen below key support, as OPEC is about to increase its output.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.09	-$0.22	$0.46	$1.03	$1.20	-$0.26	$2.47	$4.12	$2.85	$2.42	***$2.40***	***$2.65***
DPS	$0.35	$0.34	$0.42	$0.50	$0.57	$0.63	$0.80	$1.20	$1.37	$1.55	***$1.65***	***$1.79***
Shares[2]	2,190	2,202	2,446	2,382	2,368	2,366	2,370	2,240	2,180	2,107	***2,050***	***2,000***

As Canadian Natural Resources is an almost pure upstream company, its financial performance has been extremely volatile over the last decade. Given its high sensitivity to commodity prices, it is nearly impossible to make accurate forecasts. The company posted record earnings in 2021 and 2022 thanks to high prices of oil and gas. Moreover, Canadian Natural Resources grew its proved reserves by 11% in 2019, 10% in 2020, 6% in 2021, 6% in 2022, 2% in 2023 and 9% in 2024 and thus enhanced its reserve life index to 33 years. As this figure is triple the average life of reserves of its peers (~11 years), it is impressive and certainly bodes well for the production growth prospects of the company. Thanks to strong production growth but also lower expected oil prices in the upcoming years, we have assumed 2.0% average annual growth of earnings-per-share over the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	34.6	15.8	11.3	---	6.9	6.8	10.5	14.5	***11.7***	***12.0***
Avg. Yld.	2.7%	2.5%	2.7%	3.1%	4.2%	6.3%	4.7%	4.3%	4.6%	4.4%	***5.9%***	***5.6%***

[1] In CAD

[2] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Canadian Natural Resources has traded at an average price-to-earnings ratio of 12.0 over the last decade if we exclude the 2015 – 2017 period, in which the stock's valuation was not meaningful due to depressed earnings. The stock is now trading at a price-to-earnings ratio of 11.7. We expect the stock to trade around its historical price-to-earnings ratio of 12.0 in five years. As a result, the stock could enjoy an annualized valuation gain of 0.6% in its returns over the next five years.

Income investors should note that while the Canadian government applies a 15% withholding tax on dividends paid to U.S. residents (including those paid by Canadian Natural Resources), this withholding tax is waived if shares are held within a retirement account like a 401(k).

Safety, Quality, Competitive Advantage, & Recession Resiliency

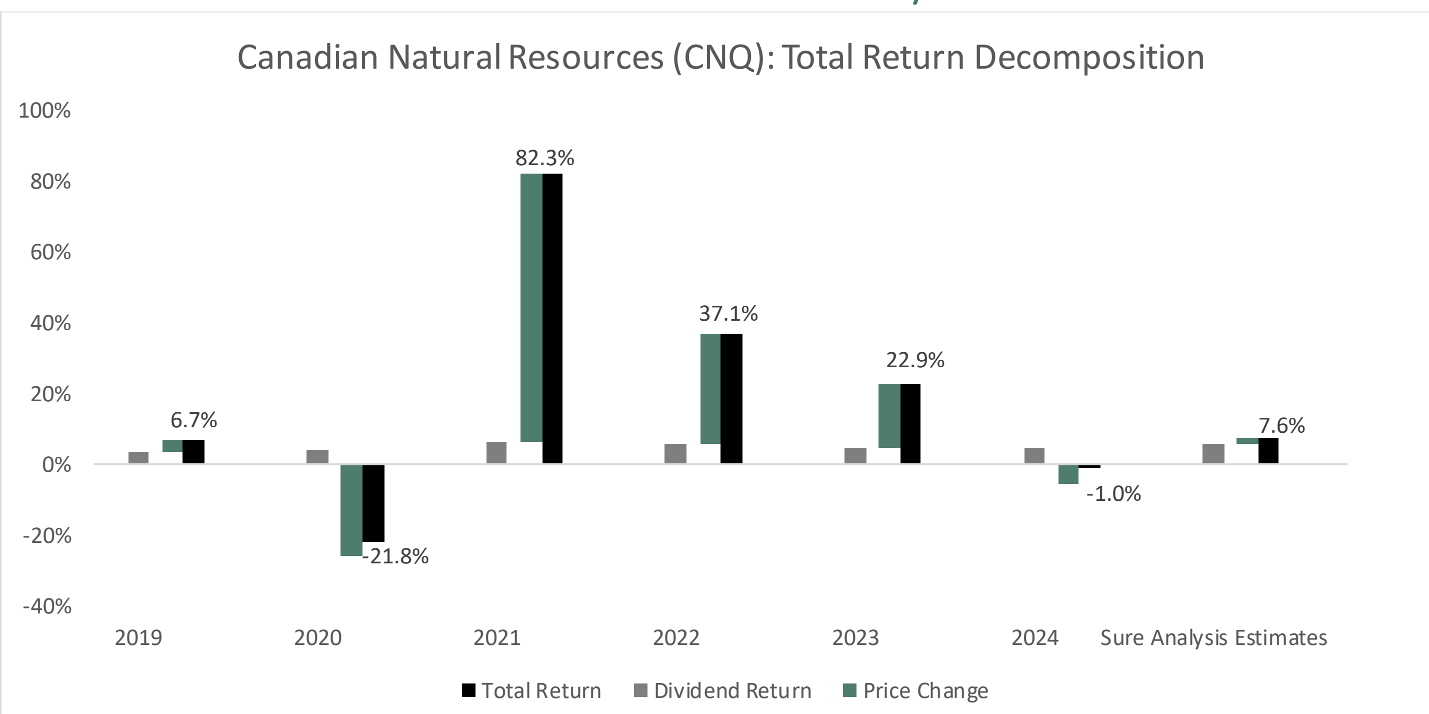
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Std. Dev.	33.6%	31.6%	23.9%	48.7%	47.2%	---	32.3%	29.0%	48.1%	64.0%	***68.8%***	***67.4%***

The competitive advantage of Canadian Natural Resources is the high quality of its assets, which have a long life, low decline rates and low production costs. However, due to the almost pure upstream nature of its business, the company is greatly affected by the prices of oil and natural gas. This is evident from its depressed earnings during the period of low commodity prices in 2015 – 2017 and the temporary -80% slump of the stock in 2020 due to the suppressed commodity prices caused by the pandemic.

Final Thoughts & Recommendation

Canadian Natural Resources has been thriving in the last three years thanks to the sanctions of western countries on Russia and the deep production cuts of OPEC. However, OPEC is about to begin restoring its output and thus the price of oil has fallen below key support levels. The stock could offer a 5-year average annual return of 7.6% thanks to 2.0% growth of earnings-per-share, its 5.9% dividend and a 0.6% valuation tailwind. It receives a hold rating. Moreover, investors should note its high sensitivity to commodity prices and its huge risk in the event of an unforeseen downturn.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	10,316	9,063	14,167	17,194	18,380	13,055	26,205	38,070	30,242	30,281
Gross Profit	(176)	(330)	2,278	4,023	4,784	51	8,436	12,498	8,719	7,950
Gross Margin	-1.7%	-3.6%	16.1%	23.4%	26.0%	0.4%	32.2%	32.8%	28.8%	26.3%
SG&A Exp.	270	529	350	138	427	231	702	937	698	570
Operating Profit	(581)	(966)	1,802	3,741	4,213	-332	7,587	11,345	7,750	7,096
Op. Margin	-5.6%	-10.7%	12.7%	21.8%	22.9%	-2.5%	29.0%	29.8%	25.6%	23.4%
Net Profit	(499)	(154)	1,850	1,999	4,081	-325	6,113	8,406	6,097	4,454
Net Margin	-4.8%	-1.7%	13.1%	11.6%	22.2%	-2.5%	23.3%	22.1%	20.2%	14.7%
Free Cash Flow	912	(261)	1,978	4,383	3,934	1,608	7,964	10,957	5,513	5,905
Income Tax	(24)	(649)	367	718	(347)	-327	1,792	2,127	1,431	1,425

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	42,715	43,499	58,741	52,539	59,805	59,033	60,128	56,102	57,255	59,476
Cash & Equivalents	50	13	109	74	106	144	584	678	661	91
Acc. Receivable	920	1,064	1,906	843	1,887	1,717	2,440	2,619	2,404	2,875
Inventories	378	511	711	701	882	831	1,214	1,337	1,533	1,946
Total Liabilities	22,983	24,017	33,570	29,063	33,018	33,640	31,152	27,975	27,230	31,975
Accounts Payable	411	441	616	572	625	523	630	988	1,069	752
Long-Term Debt	12,102	12,464	17,859	15,141	16,063	16,824	11,525	8,433	8,140	13,113
Total Equity	19,731	19,482	25,171	23,475	26,787	25,393	28,976	28,128	30,026	27,500
LTD/E Ratio	0.61	0.64	0.71	0.65	0.60	0.66	0.40	0.30	0.27	0.48

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-1.1%	-0.4%	3.6%	3.6%	7.3%	-0.5%	10.3%	14.5%	10.8%	7.6%
Return on Equity	-2.2%	-0.8%	8.3%	8.2%	16.2%	-1.2%	22.5%	29.4%	21.0%	15.5%
ROIC	-1.5%	-0.5%	4.9%	4.9%	10.0%	-0.8%	14.8%	21.8%	16.3%	11.3%
Shares Out.	1,095	1,101	1,223	1,191	1,184	1,183	1,185	1,149	1,102	2,140
Revenue/Share	9.43	8.24	11.98	14.05	15.41	11.05	22.08	33.13	27.44	14.15
FCF/Share	0.83	(0.24)	1.67	3.58	3.30	1.36	6.71	9.53	5.00	2.76

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.