

# Canadian Natural Resources Limited (TSX: CNQ)

May 16, 2026  
Andrew Atang Hidajat

Long-life oil sands cash returns; valuation now balanced

**Recommendation: Hold**

Implied price per share of C\$61.25 (7.3% downside)

Time horizon: 12 months

TSX: Energy | C\$ 66.08 | Market Cap: C\$ 138bn

## Financial Snapshot

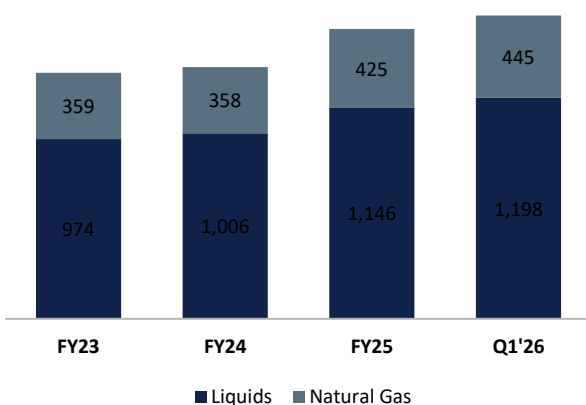
| Y/E December              | FY23  | FY24  | FY25  |
|---------------------------|-------|-------|-------|
| Product Sales (C\$bn)     | 40.8  | 41.5  | 44.2  |
| LTM EBITDA (C\$bn)        | n.a.  | n.a.  | 14.8  |
| LTM EBIT (C\$bn)          | n.a.  | n.a.  | 8.4   |
| Net Earnings (C\$bn)      | 8.2   | 6.1   | 10.8  |
| Adj. Net Earnings (C\$bn) | 8.5   | 7.4   | 7.4   |
| Diluted EPS (C\$)         | 3.74  | 2.85  | 5.16  |
| Cash Flow Ops. (C\$bn)    | 12.4  | 13.4  | 15.1  |
| Adj. Funds Flow (C\$bn)   | 15.3  | 14.9  | 15.5  |
| Net Capex (C\$bn)         | 4.9   | 14.4  | 6.6   |
| Net Debt (C\$bn)          | 9.9   | 18.7  | 15.9  |
| Debt / Book Cap. (%)      | 20    | 32    | 26    |
| ROE (%)                   | 20.7  | 15.5  | 24.4  |
| Production (MBOE/d)       | 1,332 | 1,363 | 1,571 |

Sources: CNQ 2025 Annual Report; market data for LTM EBITDA/EBIT

## Company Overview

Canadian Natural is a Calgary-based senior E&P with a diversified portfolio across oil sands mining and upgrading, thermal and conventional heavy oil, natural gas, the North Sea and Offshore Africa. FY25 production averaged 1.57 MMBOE/d, including 1.15 MMbbl/d of liquids, supported by a large long-life low-decline reserve base and owned infrastructure.

Figure 1: Production Mix (MBOE/d)



Sources: CNQ 2025 Annual Report; Q1 2026 Interim Report

| Metric            | CNQ-specific read-through   |
|-------------------|---|
| Production Scale  | FY25 record production of 1.57 MMBOE/d; Q1'26 reached 1.64 MMBOE/d.         |
| Liquids Weighting | Liquids represented ~73% of FY25 production, anchoring cash margins.        |
| Reserve Base      | 15.91 BBOE proved and 20.75 BBOE 2P reserves at year-end 2025.              |
| Reserve Life      | 31-year proved RLI; 40-year proved plus probable RLI.                       |
| Capital Returns   | 26 consecutive years of dividend increases; 2026 dividend at C\$2.50/share. |

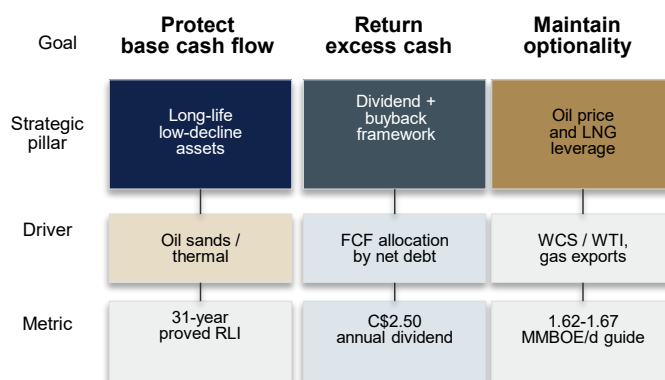
Sources: CNQ 2025 Annual Report; Q1 2026 Interim Report

Record production and a larger oil sands platform improve scale, but current valuation already discounts a high-quality asset base

| Operating Metric          | FY23  | FY24  | FY25  | Q1'26 |
|---------------------------|-------|-------|-------|-------|
| Total Production (MBOE/d) | 1,332 | 1,363 | 1,571 | 1,643 |
| Liquids (Mbbbl/d)         | 974   | 1,006 | 1,146 | 1,198 |
| Natural Gas (MMcf/d)      | 2,151 | 2,147 | 2,547 | 2,668 |
| Net Debt (C\$bn)          | 9.9   | 18.7  | 15.9  | 16.2  |
| Debt / Book Cap. (%)      | 20    | 32    | 26    | 26.6  |
| Adj. Funds Flow (C\$bn)   | 15.3  | 14.9  | 15.5  | 4.4   |

Sources: CNQ 2025 Annual Report; Q1 2026 Interim Report

Investment case is anchored by scale, reserve depth and disciplined cash returns.



## Investment Thesis

CNQ's quality is clear, but the stock warrants valuation discipline:

1. Long-life low-decline asset base: CNQ's 15.91 BBOE proved reserves, 31-year proved RLI and 73% long-life low-decline reserve weighting support durable production without requiring short-cycle reinvestment intensity.
2. Cash-return framework remains the central shareholder story: Q1'26 direct returns totaled C\$1.5bn, while the updated FCF policy steps buybacks higher as net debt moves below C\$16bn and toward C\$13bn.

Sources: CNQ 2025 Annual Report; Q1 2026 Interim Report

| Cash Return Metrics     | FY23 | FY24 | FY25 |
|-------------------------|------|------|------|
| Adj. Funds Flow (C\$bn) | 15.3 | 14.9 | 15.5 |
| Dividends / Share (C\$) | 1.85 | 2.14 | 2.35 |
| Net Debt (C\$bn)        | 9.9  | 18.7 | 15.9 |

| Margin / Leverage    | FY23 | FY24 | FY25 |
|----------------------|------|------|------|
| AFF / Sales (%)      | 37.4 | 35.8 | 35.0 |
| Net Debt / AFF (x)   | 0.65 | 1.26 | 1.03 |
| Debt / Book Cap. (%) | 20   | 32   | 26   |
| ROE (%)              | 20.7 | 15.5 | 24.4 |

Sources: CNQ 2025 Annual Report; company calculations

3. Operational leverage without losing balance-sheet discipline: FY26 guidance of 1.615-1.665 MMBOE/d and C\$6.0bn operating capital keeps production scale high, while net debt targets determine the pace of repurchases.

4. Valuation is balanced: CNQ trades at a premium EV/EBITDA multiple to the Canadian peer set, so upside depends on sustained commodity pricing and buybacks rather than a simple multiple re-rate.

Sources: CNQ 2025 Annual Report; Q1 2026 Interim Report; market data

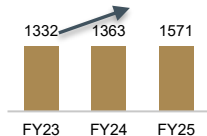
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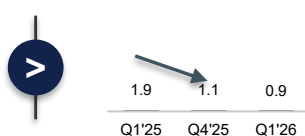
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3. Strategic positioning: CNQ's integrated oil sands and conventional portfolio offers scale, reserve life and commodity torque, but its current premium to Canadian peers limits absolute upside. The portfolio is best framed as a durable cash-return holding rather than a deep-value re-rating candidate.

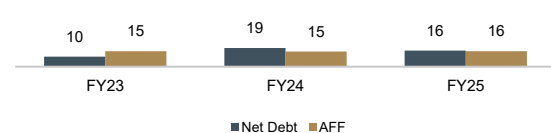
**Figure 2: Production Trend (MBOE/d)**



**Figure 3: FCF After Dividends (C\$bn)**



**Figure 4: Shareholder Returns and Net Debt**



Sources: CNQ 2025 Annual Report; Q1 2026 Interim Report

## Valuation

Premium asset quality, valuation discipline: CNQ screens as a high-quality cash-return compounder, but trades above the Canadian peer median on EV/EBITDA. A 40% EV/EBITDA, 40% P/FCF and 20% consensus framework supports a C\$61.25 value.

| Company  | EV/EBITDA | P/FCF | FCFy (%) | DivY |
|----------|-----------|-------|----------|------|
| CNQ      | 10.6      | 25.8  | 3.9      | 3.8  |
| Suncor   | 7.9       | 16.6  | 6.0      | 2.6  |
| Cenovus  | 8.5       | 21.6  | 4.6      | 2.1  |
| Imperial | 14.1      | 25.4  | 3.9      | 1.9  |

| Framework | Metric      | Implied  | Source               |
|-----------|-------------|----------|----------------------|
| EV/EBITDA | 8.5x        | C\$52    | Canadian peer median |
| P/FCF     | 25.4x       | C\$65    | Global peer median   |
| Consensus | 20 analysts | C\$70.65 | Market data          |
| Weighted  | 40/40/20    | C\$61.25 | Model                |

Source: Market data. Peer multiples use SU, CVE, IMO, XOM and COP where applicable; currency differences do not affect multiples.

Hold is supported by strong asset quality, but peer-multiple and FCF-yield frameworks imply limited near-term upside.

|     | Business Drivers    | Growth / Value |       |       |          |
|-----|---------------------|----------------|-------|-------|----------|
|     |                     | FY23           | FY24  | FY25  | Q1'26    |
| CNQ | Production (MBOE/d) | 1,332          | 1,363 | 1,571 | 1,643    |
|     | Liquids (Mbb/d)     | 974            | 1,006 | 1,146 | 1,198    |
|     | Net Debt (C\$bn)    | 9.9            | 18.7  | 15.9  | 16.2     |
|     | Debt / Book Cap.    | 20%            | 32%   | 26%   | 26.6%    |
| FCF | Dividends (Q1'26)   |                |       |       | C\$1.2bn |
|     | Buybacks (Q1'26)    |                |       |       | C\$0.3bn |

Sources: CNQ 2025 Annual Report, Q1 2026 Interim Report, market data. EBITDA/FCF multiples are market-data derived.

## Risks & Mitigants

| Risk  | Mitigant   |
|---|--|
| Commodity price volatility and WCS/WTI differential widening  | Low-decline asset base, owned infrastructure and capital flexibility support downside resilience.          |
| Carbon policy, environmental regulation and cost inflation    | Long-life reserves, scale advantages and ongoing technology / emissions initiatives reduce relative risk.  |
| Pipeline constraints, market access and acquisition execution | Diversified production, balance-sheet targets and shareholder-return policy discipline capital allocation. |

Sources: CNQ filings, AIF and sustainability disclosures

## Catalysts

Cash-return acceleration: Moving net debt below C\$16bn increases the buyback allocation to 75% of FCF, while a path toward C\$13bn would lift returns to 100% of FCF. Additional catalysts include higher WTI, narrower differentials, production optimization and gas export / LNG-linked demand tailwinds.

Source: Q1 2026 Interim Report

## Conclusion

CNQ remains one of Canada's highest-quality upstream equities, with long reserve life, scale, balance-sheet discipline and a clear shareholder-return framework. The issue is not asset quality; it is entry price.

Our blended valuation gives C\$61.25/share, or 7.3% downside from C\$66.08, supporting a Hold rating.

| Multiple/Ratio   | Weight (%) | Implied Share Price (C\$) |
|------------------|------------|---------------------------|
| EV/EBITDA        | 40%        | 52.39                     |
| P/FCF            | 40%        | 65.17                     |
| Consensus Target | 20%        | 70.65                     |

Current Share Price (C\$) 66.08

WA Implied Share Price (C\$) 61.25

Upside/(Downside) -7.3%