Canadian Natural Resources (CNQ)

May 17, 2026

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Oil & Gas | TSX | Hold: Premium Quality Fully Reflected

EQUITY RESEARCH REPORT

Recommendation: HOLD

Price Target: C$61.25 | Upside: (7.3%) from C$66.08 (as of May 17, 2026)

Investment Horizon: 12 Months | Risk Rating: Medium

TSX: CNQ | 52-wk: C$48.77 - C$72.38 | Mkt Cap: C$138bn

All figures are analyst estimates unless otherwise stated.

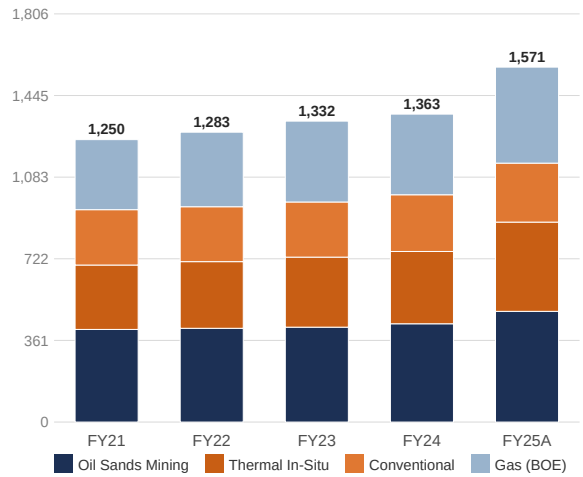
Financial Snapshot

Metric	FY24A	FY25A	FY26E	FY27E
Revenue (C$bn)	41.5	44.2	43.8E	46.5E
EBITDA (C$bn)	13.5	14.8	13.8E	14.9E
EBITDA Margin (%)	32.5	33.5	31.5E	32.0E
FCF pre-acq. (C$bn)	0.5	8.9	9.0E	9.8E
Diluted EPS (C$)	2.85	5.16	4.08E	4.55E
AFF (C$bn)	14.9	15.5	15.0E	16.0E
EV/EBITDA (x)	10.6	9.2	9.8E	9.1E
Net Debt (C$bn)	18.7	15.9	13.5E	11.0E
Dividend (C$/sh)	1.90	2.25	2.50E	2.75E

Company Overview

Canadian Natural Resources (CNQ) is one of the largest independent oil and gas producers in Canada, with a diversified asset base spanning oil sands mining, thermal in-situ SAGD, conventional heavy and light oil, and natural gas. CNQ operates a long-life, low-decline portfolio with industry-leading sustaining capital intensity of ~C$9/boe, enabling substantial free cash flow generation across commodity price cycles. The company achieved record production of 1.571 MMBOE/d in FY25A and has grown its dividend for 26 consecutive years, employing a tiered FCF allocation framework tied to net debt milestones. The Trans Mountain Expansion (TMX) provides tidewater access for Athabasca oil sands barrels, materially reducing dependence on the landlocked WCS-WTI differential and improving realized pricing over the medium term. CNQ holds shipper commitments on TMX that partially insulate it from Western Canadian egress constraints.

Figure 1: Total Production by Stream (MBOE/d)



Source: CNQ company filings, analyst estimates

Component	YOY FY24	YOY FY25	5Y CAGR	% Total
Oil Sands Mining	+7%	+13%	+6%	31%
Thermal In-Situ	+3%	+23%	+7%	25%
Conventional	+2%	+4%	+3%	17%
Natural Gas	0%	+19%	+4%	27%

Source: CNQ Q4/FY2025 results release (Mar 5, 2026), SEC Form 6-K; FY26E–FY27E analyst estimates. Revenue on a gr

CNQ's production mix has continued shifting toward lower-cost thermal in-situ and oil sands, improving overall netback quality and FCF durability across WTI cycles. The FY25A thermal in-situ production surge of +23% YoY reflects Kirby South Phase 2 ramp completion, driving per-barrel sustaining costs to new lows below C$9/boe.

The Canadian oil sands sector benefits from some of the largest proved reserves globally (third-largest oil reserves country), with mine and SAGD assets providing 30-50 year reserve life at low sustaining capital intensity once developed. TMX pipeline capacity expansion adds ~590K bpd of tidewater access, structurally improving realized differentials for all Athabasca producers. Federal carbon pricing trajectories remain a multi-year headwind for SAGD operators, though CNQ's scale and operational efficiency provide relative advantage versus higher-cost peers.

Investment Thesis

1. **Long-life, low-decline reserves**
31-year proved reserve life index (RLI) with thermal in-situ sustaining capex of ~C$9/boe versus US shale at C$35-50/boe, creating a structurally durable FCF floor even at $55 WTI. Mining assets add an additional 50+ year reserve life profile with even lower sustaining intensity once fixed capital is amortized. Low decline rates of 3-5% per year vs. shale declines of 25-40% mean CNQ's capital budget is maintenance-focused, not growth-forced.

2. **Net debt milestone waterfall**
Tiered FCF allocation: Q1'26 net debt at C$16.2bn entering Milestone 2 (75% buybacks, 25% balance sheet). Milestone 3 at C$13bn triggers 100% return of FCF to shareholders via dividends and buybacks. At FY26E FCF of C$9.0bn, Milestone 3 could be reached by Q3'27, unlocking fully committed capital return. Each milestone step creates a hard catalyst for incremental buyback acceleration.

3. **26-year dividend growth streak**
FY26E dividend of C$2.50/sh is covered 6.0x by AFF; fully protected at $55 WTI. The 26-year consecutive growth streak places CNQ among the most durable dividend payers in Canadian energy, at a CAGR of ~8% per decade. Current yield of ~3.8% with high coverage provides a meaningful income floor while investors wait for milestone-triggered buyback acceleration.

4. **Hold: premium quality priced in**
CNQ trades at 10.6x EV/EBITDA (FY25A) vs. peer median of ~8.5x, reflecting its structural advantages in reserves, costs, and dividend track record. This premium is fully reflected at the C$66.08 price; our WA implied price of C$61.25 reflects 7.3% downside. Preferred re-entry at C$55-58 would offer mid-teens FCF yield and compelling margin of safety for new investors.

Operating Netback Margin (C$/boe)

Company	FY24 (%)	FY25E (%)
CNQ	~35.2	~37.1
Suncor	~28.4	~30.0
Cenovus	~24.8	~26.5
Imperial Oil	~31.2	~33.1
Peer Median	~28.4	~30.0

Source: Bloomberg, company filings. C$/boe net operating income.

Cash Flow Metrics

Metric	FY24A	FY25A/E
AFF (C$bn)	14.9	15.5
FCF pre-acq. (C$bn)	0.5	8.9
FCF Yield (%)	0.4%	6.5%
Buybacks (C$bn)	~3.2	~1.4

Source: CNQ Q4/FY2025 results (sec.gov 6-K). FCF pre-acq. = adjusted funds flow less base capital; CNQ reported free ca

ANALYST CERTIFICATION & IMPORTANT DISCLOSURES

The analyst(s) responsible for this report certify that all views expressed accurately reflect their personal views about the subject securities and issuers. No part of their compensation was, is, or will be directly related to the specific recommendation or views expressed in this research report. The analyst(s) do not hold a financial interest in the securities discussed. All models, estimates, and forecasts represent analyst judgment and are subject to revision without notice as market conditions, management guidance, or macro factors evolve.

This report is prepared for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. Information herein is obtained from sources believed to be reliable; accuracy and completeness cannot be guaranteed. Price targets reflect 12-month forward estimates. Past performance is not indicative of future results. Sector and industry classifications follow GICS standards. All currency figures are in the issuer's primary reporting currency unless otherwise noted. This report is intended for institutional and sophisticated investors only.

Rating Definitions: BUY: Expected total return >+15% within 12 months. HOLD: Expected total return (5%) to +15%. SELL: Expected total return < (5%). All figures based on analyst base-case assumptions at time of publication.

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Production Mix & Capital Return Evolution

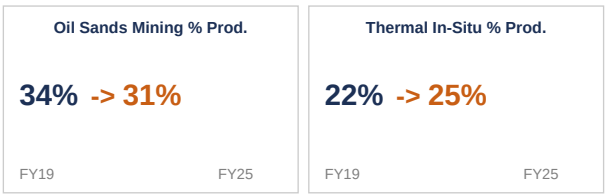
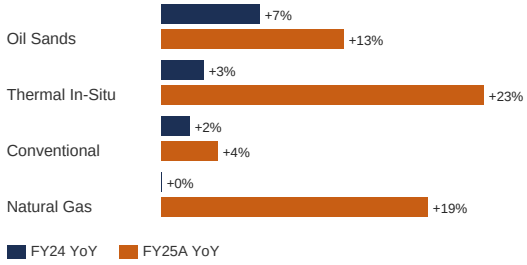


Figure 4: Net Revenue Growth by Segment (%)



Source: CNQ company filings, analyst estimates

Valuation

CNQ trades at 10.6x EV/EBITDA (FY25A) vs. peer median of ~8.5x, reflecting its structural advantages in long-life reserves, dividend track record, and milestone-linked capital return. At C$66.08, the stock is fully priced relative to our mid-cycle WTI assumption of $68/bbl. Our WA implied price of C$61.25 reflects 40% weight on P/FCF (C$65.17), 40% EV/EBITDA (C$52.39), and 20% consensus (C$70.65), yielding 7.3% downside. A re-rating would require either materially higher WTI ($75+), WCS differential compression to sub-$12/bbl, or Milestone 3 triggering ahead of schedule. Re-entry at C$55-58 would offer a mid-teens FCF yield and compelling risk/reward for long-horizon investors.

Peer Valuation

Company	Fwd P/E	Fwd P/FCF	FCF Yield	PEG
CNQ	10.6x	25.8x	3.9%	1.8
Suncor	7.9x	16.6x	6.0%	N/A
Cenovus	8.5x	21.6x	4.6%	N/A
Imperial Oil	14.1x	25.4x	3.9%	N/A
Peer Median	8.5x	21.6x	4.6%	N/A

Source: Bloomberg consensus, analyst estimates. FY25A/FY26E.

EPS Growth (%)

Company	FY23A	FY24A	FY25A/E
CNQ	+17.5%	+23.4%	+43.3%
Suncor	+22.1%	+15.3%	+12.2%
Cenovus	+8.4%	+11.2%	+9.1%

Source: Bloomberg, company filings

PT Scenario Analysis (WTI Sensitivity)

Scenario	WTI/Key Assumption	Implied Price	Upside
Bear	WTI $50/bbl, WCS $18 diff	C$44	(33%)
Base	WTI $68/bbl, WCS $15 diff	C$61.25	(7.3%)
Bull	WTI $80/bbl, WCS $12 diff	C$78	+18%

Source: Analyst estimates. WTI in USD/bbl.

Business Drivers

Metric	FY23	FY24	FY25A	FY26E
CNQ vs Suncor: Production Growth				
CNQ Total Prod (MBOE/d)	1,251	1,384	1,571	1,630E
SU Total Prod (MBOE/d)	771	812	875	905E
Delta CNQ vol premium: +62% / +70% / +79% / +80%E				
Capital Return Metrics				
CNQ Dividend (C$/sh)	1.35	1.90	2.25	2.50E
CNQ Buybacks (C$bn)	2.4	3.2	1.4	3.5E
Net Debt (C$bn)	21.2	18.7	15.9	13.5E

Source: CNQ FY2025 results and dividend release, cnrl.com (Mar 5, 2026); FY26E analyst estimates.

Risks & Mitigants

Risk	Mitigant
WTI / Commodity	Sustained WTI below $55/bbl compresses FCF and stalls milestone achievement; CNQ hedging covers ~15% of volumes at $65+ WTI floor through H1'26, limiting near-term downside. At $50 WTI, FCF falls to ~C$4bn, delaying Milestone 3 by approximately 18-24 months versus base case.
WCS Differential	Widening WCS-WTI spread beyond $18/bbl reduces realized netback by C$2.50-3.50/boe; TMX tidewater expansion partially offsets via access to Asia-Pacific pricing, and CNQ's TMX shipper commitments protect a portion of barrels.
Carbon Policy	Federal carbon price trajectory escalates SAGD operating costs by ~C$1-2/boe annually through 2030; CNQ's large thermal asset base faces higher incremental exposure versus conventional peers, though scale and cogen efficiency provide offset.
Pipeline Access	Any CER-imposed throughput restrictions or unplanned TMX outages could limit egress capacity and widen differentials; CNQ holds diversified pipeline contracts across Enbridge, Trans Mountain, and Keystone systems as mitigation.

Source: Analyst assessment, CNQ risk disclosures, CER filings

Catalysts

Net Debt <C$13bn: Milestone 3 trigger: 100% FCF return to shareholders via dividends and buybacks. Est. Q3'27E at base case WTI.

Kirby South Ph. 3 ramp: Adds ~30K BOE/d thermal at sub-C$10/boe sustaining cost; expected online H2'26 per management guidance.

WTI >$75/bbl sustained: Accelerates Milestone 3 timeline by ~6 months and provides ~C$1.0bn incremental FCF at current production.

WCS Diff <$12/bbl: Every $1/bbl tightening adds ~C$0.6bn annualized FCF; TMX ramp-up is structural catalyst for compression.

Source: Analyst estimates, CNQ management guidance, TMX operator data

Conclusion

Maintaining HOLD at C$61.25 (7.3% downside). CNQ is best-in-class among Canadian oil sands producers, with a 31-year reserve life, C$9/boe sustaining capital, and a 26-year dividend growth streak that are structurally unmatched. However, at 10.6x EV/EBITDA versus peer median of ~8.5x, the quality premium is fully reflected in the C$66.08 price at publication. Our tiered FCF model shows Milestone 3 (100% FCF return) arriving in Q3'27E at $68 WTI, which is insufficient to justify paying the current premium at this level. Preferred re-entry at C$55-58 for compelling risk/reward with a mid-cycle FCF yield in the low-to-mid teens and a wide margin of safety.

Price Target Derivation

Multiple/Ratio	Weight (%)	Implied Price
P/FCF (40%)	40%	C$65.17
EV/EBITDA (40%)	40%	C$52.39
Consensus (20%)	20%	C$70.65
Current Price		C$66.08
WA Implied Price	100%	C$61.25
Upside / (Downside)		(7.3%) Downside

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RESEARCH UPDATE · SEPTEMBER 17, 2026

Canadian Natural Resources

CNQ:CN · TSX · Rating under review

MEASURE	VALUE
Rating	**Hold, under review**
12-month target	**C$61.25**
Price at last update (22 Jul 2026)	**C$63.31**
Price, 17 Sep 2026	**C$70.83**
Implied return now	**(13.5%)**
Market capitalisation	**~C$146B**

CNQ has run to C$70.83, about 12% above the July mark and 15.6% through the C$61.25 target.[1] The Hold call has been overtaken by the move rather than validated by it.

> **Under review.** A target 13.5% below spot is no longer a Hold in substance. The target and the rating are under review pending the next quarterly print. The C$55 to C$58 band flagged for a constructive stance now sits well below market, and the premium the original report judged to be already embedded has widened.

The asset-quality case is intact: reserve life, the sustaining-capex profile and the tiered capital-returns framework have not changed. What has changed is the price paid for them.

Sources. [1] Closing price and market capitalisation for September 17, 2026, retrieved from Yahoo Finance: CNQ.TO. Company fundamentals are from the issuer's filings as cited in the report above. The rating and target in the original report carry its publication date; this page records what has happened since.