

May 14, 2026

Highwood Asset Management Ltd.

HAM-TSXV | Rating **BUY** | Price: May-14 **\$510** | Target **76%** | **\$9.00**

Highwood Reports Strong Q1/26 Production

Bottom Line:

Highwood reported average corporate production of 6,005 boe/d in Q1 2026 (in line with our estimates and consensus) an approximate increase of ~20% from the fourth quarter of 2025. Adjusted EBITDA was \$16.2 million (\$1.07 per share), and adjusted funds flow was \$14.3 million (\$0.94 per share) in the quarter. Strong performance was recorded from the 102/13-02-043-06W5 (the "13-02 well") and the 100/11-33-042-05W5 (the "11-33 well") wells that were brought online in mid-December 2025. Both wells paid out in ~3.5 months and are expected to payout two times in less than 12 months. **We reiterate our Buy rating and \$9/share target price.**

Key Points

Strong well performance from recently drilled Wilson Creek wells.

The 13-02 and 11-33 wells both exceeded 25,000 bbl of gross oil production in January 2026. These wells were recognized by multiple third parties as two of the top net oil wells in Alberta in January 2026. Despite strong production from these two wells, Highwood was unable to follow up these drills in the quarter due to infrastructure constraints (volumes were backed out due to line pressures at Wilson Creek) and land use restrictions.

Revenue beat. Revenues of \$30.0 million for the quarter beat our forecast of \$29.2M (+2.6%) and consensus of \$27.6M (+8.6%).

GAAP Net loss driven by \$25.3 million non-cash unrealized commodity hedge mark-to-market; realized hedge losses were only \$0.9 million.

Strong capital discipline. Capex for the quarter was \$10.4M, a 41.5% beat versus consensus at \$17.8M.

Larger than expected operating and transportation costs. Total operating and transportation costs of \$15.04/boe were above our forecast \$13.00/boe (+15.7%) and consensus of \$13.70/boe (+9.8%). Cost increases were attributed to active workovers, trucking and water disposal for the new Wilson Creek wells.

Highwood is planning to upgrade its infrastructure at Wilson Creek during the summer to alleviate the constraints. Accordingly, the Company is guiding toward lower production (5,300-5,500 boe/d; ~8-12% below Q1 volumes) in the second quarter. This lower expected production in Q2 does pressure cash flow, however we view this as a transitory issue with no impact on our long-term thesis.

Primary focus remains deleveraging while maintaining Belly River drilling momentum. Net debt fell ~6% year-over-year to \$114.0 million in line with our forecast and consensus. Reduced Net Debt/EBITDA is a key focus, which should increase flexibility for the Company.

Important Disclosures: See pages 6-7

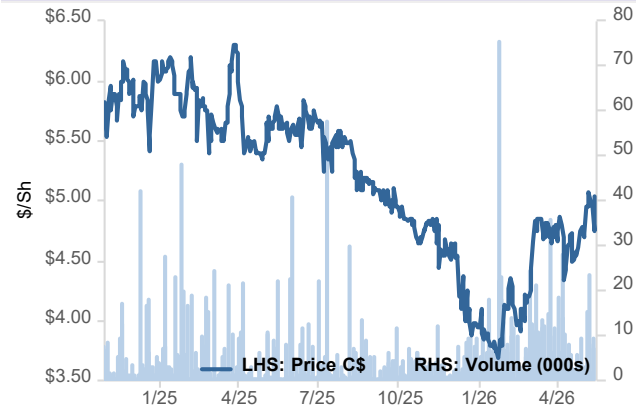


GRANITE POINT RESEARCH

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Source: FactSet

Market Data

Dividend	\$0.00	Shares O/S (mm)	15.2
Yield	0.0%	Market Cap (mm)	\$77.5
EV (mm)	\$191.5	Net Debt (mm)	\$114.0

FYE Dec	2025A	2026E	2027E
Total Prod (boe/d)	5,296	5,826	6,425
Gas (%)	32	28	23
CFPS FD (C\$)	3.08	3.80	4.17
EV/BOEPD (C\$)	36,085	32,067	28,165
EV/DACF (x)	3.59	3.00	2.72
D/CF	2.2	1.8	1.7

Company Description

Highwood Asset Management is a Canadian junior oil and gas exploration and production company with sustainable oil-weighted assets. The Company's primary areas of production are at Brazeau and Wilson Creek in west-central Alberta.

Our Thesis

Highwood is an oil-weighted producer (~70%) with key assets focused on the Wilson Creek and Brazeau areas. The Company has high insider ownership and is focused on doubling production through acquisition and/or organically in the next 3-5 years.

Highwood is planning to upgrade its infrastructure at Wilson Creek during the summer to alleviate the constraints. Accordingly, the Company is guiding toward lower production (5,300-5,500 boe/d; ~8-12% below Q1 volumes) in the second quarter. This lower expected production in Q2 does pressure cash flow, however we view this as a transitory issue with no impact on our long-term thesis.

The Braz 13-02 well was drilled in the quarter. During the quarter the Company drilled the 100/13-02-048-14W5 (the **Braz 13-02 well**) with the well coming onstream late in the quarter. Current gross and net production is in excess of 300 bbls/d of light oil with the well continuing to clean up. We believe that these early well indications are encouraging with results in line with the type curve expectations.

Two-to-three wells to be drilled in Q2 at Wilson Creek. The Company has worked with various third parties to allow access to drill 2-3 wells late in the second quarter at Wilson Creek. The Company plans to drill 4-7 wells for the remainder of the year in the Belly River horizon, in line with our forecast.

Highwood's active hedging program continues to help the Company mitigate price volatility with approximately 2,450 bbls/d and 1,800 bbls/d of oil hedged throughout 2026 and 2027, respectively, at an average contract price of C\$94.50/bbl and C\$93.50/bbl (WTI – NYMEX). Additionally, Highwood has approximately 6,975GJ/day of natural gas hedged in 2026 at an average price of ~ C\$3.15/GJ (AECO).

Highwood does not expect to be cash-taxable for three years or more. The Company had approximately \$325 million in tax pools, including more than \$100 million in non-capital losses on March 31, 2026.

Operational and Financial Highlights

Exhibit 1: Operational and Financial Highlights

Valuation	2025A	2026E	2027E
EBITDA	64,241	63,542	70,815
DACF	53,286	62,266	66,576
EV/DACF	3.6x	3.0x	2.7x
EV/boe/d	\$36,085	\$32,067	\$28,165
D/CF	2.2x	1.8x	1.7x
EV/EBITDA	3.0x	2.9x	2.6x
Per Share	2025A	2026E	2027E
CFPS (FD)	\$3.08	\$3.80	\$4.17
CFPS (Basic)	\$3.18	\$3.88	\$4.30
Dividend/Share	-	-	-
Drip Participation	-	-	-

Production	2025A	2026E	2027E
Light Oil (bbls/d)	2,773	3,263	3,980
Medium/Heavy Oil (bbls/d)	-	-	-
NGL (bbls/d)	853	915	961
Total Liquids (bbls/d)	3,626	4,178	4,941
Natural Gas (mcf/d)	10,020	9,889	8,903
Total (boe/d) (6:1)	5,296	5,826	6,425
% Gas	32%	28%	23%

Growth / Key Metrics	2025A	2026E	2027E
CFPS Growth YY	(34%)	23%	10%
Production/Share Growth YY	(7%)	15%	12%
Simple Payout (Dividend)	-	-	-
Total Payout (Capex+Div)	114%	84%	80%
Cashflow Margin	52%	58%	56%
D/CF	2.2x	1.8x	1.7x
D/EBITDA	1.8x	1.8x	1.6x

Net Asset Value	\$/Share	P/NAV	
PDP	\$8.36	1.0x	n.a.
1P	\$23.52	0.4x	n.a.
2P	\$43.31	0.2x	n.a.
Risked	\$20.89	0.4x	n.a.

Reserves			
PDP (mmboe)	19.6		
1P (mmboe)	39.6		
2P (mmboe)	66.4		

Capital Structure (m)	2025A	2026E	2027E
Basic Shs. O/S	14,443	13,982	13,645
FD Shs. O/S (incl. anti-dilutive)	14,871	14,288	14,053
WA FD Shs. O/S	14,871	14,288	14,053

Pricing	2025A	2026E	2027E
WTI (US\$/bbl)	\$65.25	\$60.00	\$60.00
FX (C\$/US\$)	1.401	1.370	1.370
MSW (C\$/bbl)	\$99.28	\$83.10	\$81.71
AECO (C\$/mcf)	\$2.00	\$3.30	\$3.39

Balance Sheet (\$000)	2025A	2026E	2027E
Cash	4,564	115	-
Current Assets	36,487	29,471	17,601
PP&E	255,406	237,683	200,756
Other	30,141	75,355	128,655
Total Assets	322,034	342,509	347,012
Total Debt	105,299	102,378	92,378
Total Liabilities	167,971	171,707	169,668
Total Liabilities & Equity	322,034	342,509	347,012

Funds Flow (\$000)	2025A	2026E	2027E
Funds from Operation	56,397	49,595	58,613
Funds from Investments	(64,139)	(51,034)	(53,000)
Other Capital	(4,561)	1,006	-
Capital Expenditures	(59,578)	(52,040)	(53,000)
Funds from Financing	10,495	(3,010)	(13,912)
Equity Offering	-	-	-
Debt	14,580	(2,921)	(10,000)
Dividend	-	-	-
Net Change in Cash	2,753	(4,449)	(8,299)

Netback (\$/boe)	2025A	2026E	2027E
Revenue	\$50.73	\$52.84	\$54.12
Processing Income	-	-	-
Hedging	\$4.04	\$4.66	\$4.79
Royalties	(\$10.65)	(\$10.30)	(\$10.55)
Op. Costs	(\$14.41)	(\$13.52)	(\$13.00)
Transportation	-	-	-
Operating Netback	\$29.71	\$33.68	\$35.35
Op. Netback (Ex Hedges)	\$25.67	\$29.02	\$30.57
G&A	(\$3.80)	(\$3.31)	(\$3.24)
Interest	-	(\$2.86)	(\$3.40)
Cash Taxes/Other	-	-	-
Cash Flow Netback	\$25.91	\$27.51	\$28.71

Source: Company reports, Granite Point Research

Financial Model Summary

Exhibit 2: Financial Model Summary

	2025A	1Q/26E	2Q/26E	3Q/26E	4Q/26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
Income Statement (\$000)											
Revenue											
Net Revenue	\$82,937	\$27,158	\$20,700	\$24,583	\$25,396	\$97,839	\$25,593	\$26,461	\$27,731	\$28,183	\$107,967
Realized gain (loss) on commodity contracts	7,810	(904)	3,547	2,608	1,908	9,906	2,378	2,663	2,958	3,223	11,222
Total Revenue	101,853	951	24,247	27,192	27,305	107,745	27,971	29,124	30,689	31,406	119,189
Expenses											
Operating and Transportation	27,846	8,130	6,507	6,997	7,116	28,748	7,206	7,460	7,841	7,981	30,487
General and administrative	7,354	2,057	1,663	1,663	1,663	7,045	1,900	1,900	1,900	1,900	7,600
Depletion and depreciation	24,331	6,364	6,120	6,581	6,694	26,005	6,778	7,017	7,376	7,507	28,678
Interest	-	-	2,199	1,870	2,004	6,073	2,065	2,016	1,966	1,916	7,964
Total Expenses	61,943	17,129	17,070	17,691	18,057	70,208	18,530	18,973	19,664	19,886	77,053
EBIT	39,910	(16,178)	7,177	9,500	9,248	37,537	9,441	10,150	11,025	11,520	42,137
EBITDA	64,241	(9,814)	13,298	16,082	15,942	63,542	16,219	17,167	18,401	19,028	70,815
Adjusted EBITDA	53,286	16,213	13,542	16,326	16,186	62,266	11,248	17,411	18,645	19,272	66,576
Adj. EBITDA per share (FD)	3.58	1.15	0.94	1.14	1.13	4.36	0.79	1.24	1.33	1.38	4.74
Adj. Funds Flow per share (FD)	3.22	1.01	0.81	1.03	1.02	3.87	0.67	1.12	1.21	1.27	4.27
Income (loss) before taxes	30,409	(18,585)	4,411	7,066	6,682	27,364	6,816	7,578	8,505	9,053	31,953
Total Taxes	(8,702)	4,082	(1,037)	(1,660)	(1,570)	(185)	(1,602)	(1,781)	(1,999)	(2,128)	(7,509)
Net Income	\$21,707	(\$14,503)	\$3,375	\$5,405	\$5,112	\$27,179	\$5,214	\$5,797	\$6,507	\$6,926	\$24,444
Income (loss) per share:											
Basic	1.50	(1.03)	0.24	0.39	0.37	1.94	0.38	0.42	0.48	0.51	1.79
Diluted	1.46	(1.03)	0.23	0.38	0.36	1.90	0.37	0.41	0.46	0.50	1.74
Balance Sheet (\$000)											
Assets											
Total Current Assets	36,487	43,638	28,378	30,262	29,471	29,471	27,257	28,204	24,739	17,601	17,601
Property, Plant and Equipment	255,406	258,245	251,583	244,689	237,683	237,683	227,308	217,768	208,791	200,756	200,756
Other Non-Current Assets	30,141	35,388	46,994	60,098	75,355	75,355	83,831	94,689	110,455	128,655	128,655
Total Assets	322,034	337,271	326,954	335,049	342,509	342,509	338,396	340,662	343,985	347,012	347,012
Liabilities											
Total Current Liabilities	38,226	66,979	46,555	42,585	38,615	38,615	38,615	38,615	38,615	38,615	38,615
Bank Debt	105,299	105,829	88,399	95,664	102,378	102,378	99,878	97,378	94,878	92,378	92,378
Other Non-Current Liabilities	24,446	24,692	27,224	29,017	30,714	30,714	32,437	34,334	36,443	38,675	38,675
Total Liabilities	167,971	197,500	162,178	167,265	171,707	171,707	170,930	170,327	169,936	169,668	169,668
Shareholders' Equity	154,063	139,771	164,777	167,784	170,802	170,802	167,466	170,335	174,049	177,343	177,343
Basic Shares Outstanding (000)	14,443	14,118	14,019	13,936	13,853	13,982	13,770	13,687	13,604	13,520	13,645
Diluted Shares Outstanding (000)	14,871	14,118	14,427	14,344	14,261	14,288	14,178	14,095	14,012	13,928	14,053
Cash Flow Statement (\$000)											
Net cash from (used) in operating activities	56,397	5,328	27,661	7,102	9,504	49,595	9,183	15,396	16,679	17,355	58,613
Cash from Investments											
Capex	(59,578)	(10,414)	(10,437)	(14,563)	(16,626)	(52,040)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
Net cash used in investing activities	(64,139)	(9,408)	(10,437)	(14,563)	(16,626)	(51,034)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
Cash from financing activities	10,495	(369)	(17,224)	7,461	7,122	(3,010)	(3,478)	(3,478)	(3,478)	(3,478)	(13,912)
Change in cash	2,753	(4,449)	-	-	-	(4,449)	(886)	1,691	(3,072)	(6,032)	(8,299)
Cash end of period	4,564	115	115	115	115	115	(771)	920	(2,152)	(8,184)	(8,184)

Source: Company reports, Granite Point Research

Key Metrics and Assumptions

Exhibit 3: Key Assumptions and Metrics

	2025A	1Q/26E	2Q/26E	3Q/26E	4Q/26E	2026E	1Q/27E	2Q/27E	3Q/27E	4Q/27E	2027E
Days in period	365	90	91	92	92	365	90	91	92	92	365
Assumptions - CPR Model											
WTI (US\$/bbl)	65.25	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00
NYMEX (US\$/Mcf)	3.53	4.00	3.25	3.50	4.00	3.70	3.55	3.55	3.55	3.55	3.55
Foreign Exchange (US\$/CS)	0.71	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
WCS (US\$/bbl)	75.84	65.49	66.48	66.07	63.93	67.58	66.16	67.53	67.53	66.15	66.85
Edmonton C5+ (C\$/bbl)	99.28	83.08	83.08	83.08	83.15	83.10	81.71	81.71	81.71	81.71	81.71
AECO (C\$/Mcf)	2.00	3.50	2.75	3.10	3.75	3.30	3.39	3.39	3.39	3.39	3.39
Realized Oil Price (C\$/bbl)	92.14	88.12	74.96	74.96	74.96	74.96	73.64	73.64	73.64	73.64	73.64
Realized Gas Price (C\$/Mcf)	1.90	2.12	2.61	2.95	3.56	3.14	3.22	3.22	3.22	3.22	3.22
Production											
Oil & NGLs (boe/d)	3,626	4,187	3,700	4,370	4,450	4,178	4,742	4,849	5,041	5,128	4,941
Natural Gas (Mcf/d)	10,020	10,909	10,800	8,880	9,000	9,889	8,500	8,740	9,090	9,270	8,903
Total Production (boe/d)	5,296	6,005	5,500	5,850	5,950	5,826	6,159	6,306	6,556	6,673	6,425
% Gas	31.5%	30.3%	32.7%	25.3%	25.2%	28.3%	23.0%	23.1%	23.1%	23.2%	23.1%
YoY Growth	(8.3%)	14.1%	(2.3%)	11.4%	18.1%	10.0%	2.6%	14.6%	12.1%	12.2%	10.3%
% Liquids Hedged	16.6%	-	-	-	-	1.2%	-	-	-	-	-
% Natural Gas Hedged	43.8%	-	-	-	-	73.4%	-	-	-	-	47.9%
Netbacks (\$/boe)											
Realized Corporate Price	50.73	55.46	47.78	53.39	54.34	52.84	54.11	54.14	54.13	54.09	54.12
Realized Hedging Gain (Loss)	4.04	-	7.09	4.85	3.49	4.66	4.29	4.64	4.90	5.25	4.79
Royalties	10.65	7.82	9.32	10.41	10.60	10.30	10.55	10.56	10.56	10.55	10.55
Net Revenue	36.04	47.64	31.37	38.14	40.26	37.88	39.27	38.95	38.67	38.30	38.78
Operating & Transportation Costs	14.41	15.04	13.00	13.00	13.00	13.52	13.00	13.00	13.00	13.00	13.00
Less Midstream and Other Costs	-	(0.53)	-	-	-	-	-	-	-	-	-
Field Netback	21.63	33.14	18.37	25.14	27.26	24.36	26.27	25.95	25.67	25.30	25.78
Interest	-	-	4.39	3.47	3.66	2.86	3.73	3.51	3.26	3.12	3.40
SG&A	3.80	3.81	3.32	2.93	3.04	3.31	3.43	3.31	3.15	3.09	3.24
Cash Netback (\$/boe)	17.83	0.37	3.58	4.19	3.88	18.19	6.33	9.19	9.49	9.81	19.14
Cash Flow Metrics											
Cash Flow (\$000)	53,286	14,269	11,680	14,793	14,519	62,266	9,520	15,733	17,016	17,692	66,576
CFPS - Basic	3.18	1.01	0.81	1.04	1.02	3.88	0.67	1.12	1.23	1.28	4.30
CFPS - Diluted	3.08	1.01	0.79	1.01	0.99	3.80	0.65	1.09	1.19	1.25	4.17
Capital Expenditures	(60,632)	(10,414)	(10,437)	(14,563)	(16,626)	(52,040)	(6,591)	(10,227)	(16,273)	(19,910)	(53,000)
Dividend	-	-	-	-	-	-	-	-	-	-	-
Free Cash Flow (\$000)	(12,701)	3,855	1,243	230	(2,107)	4,907	2,929	5,506	743	(2,217)	6,961
Valuation and Leverage Ratios											
EV/EBITDA	2.97	-	-	-	-	2.94	-	-	-	-	2.56
EV/BOEPPD	36,085	-	-	-	-	32,067	-	-	-	-	28,165
EV/DACF	3.59	11.52	13.67	11.30	11.50	3.00	16.35	10.26	9.53	9.36	2.72
FCF Yield (% Market Cap)	(17.1%)	-	-	-	-	6.8%	-	-	-	-	9.9%
FCF Yield (% EV)	(6.6%)	-	-	-	-	2.6%	-	-	-	-	3.8%
Net Debt (\$000)	116,723	113,985	112,873	112,784	114,821	114,821	113,035	108,088	107,554	110,692	110,692
Net Debt/EBITDA	1.82	(11.61)	8.49	7.01	7.20	1.81	6.97	6.30	5.85	5.82	1.56
Net Debt/CF	2.19	7.99	9.66	7.62	7.91	1.84	11.87	6.87	6.32	6.26	1.66

Source: Company reports, Granite Point Research

Important Disclosures

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RATING	COVERED COMPANIES
BUY	4
HOLD	
SELL	

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