

Highwood Asset Management Ltd.

HAM-TSXV	Rating	Price: Jun-2	Target	84%
	BUY	\$4.90	\$9.00	

Highwood Announces Sale of Wilson Creek Assets

Bottom Line:

Highwood Asset Management Ltd. (HAM – TSXV) announced it has entered into a definitive asset purchase and sale agreement with Obsidian Energy Ltd. (OBE – TSX; Not Covered) to sell its Wilson Creek Assets for up to \$112 million (\$105 million in cash and up to \$7 million of WTI-contingent payments). The transaction has an effective date of April 1, 2026, and is expected to close on or about June 30, 2026, subject to customary closing conditions and regulatory approvals. Net proceeds will be used to reduce the Company's outstanding debt and for general corporate purposes, taking net debt to ~\$15.0 million post closing. **We view this transaction as NAV accretive and are reviewing our target price with a bias to the upside.**

Key Points

Significant value creation and return. This transaction crystallizes a greater than 200% pre-tax return on invested capital for the Wilson Creek assets since their acquisition by the Company in August 2023. These assets were acquired for ~\$35 million and generated ~\$26 million in asset level free cash flow up to March 31, 2026. This transaction represents a strong outcome on a three-year holding period.

Balance sheet and capital allocation optionality significantly improved. Net proceeds from the divestiture will be used to reduce Highwood's net debt, which is anticipated to be ~\$15.0 million post closing. The strengthened balance sheet post closing could provide the Company with the flexibility to enhance shareholder returns through accelerated growth at Brazeau, strategic acquisitions, development of early-stage opportunities in Highwood's portfolio and/or returns of capital.

A more focused portfolio. This transaction will concentrate capital on the long-duration, high-netback Basal Belly River at Brazeau (analogous to the Belly River at Wilson Creek) and with the implementation of a waterflood which will continue to lower base declines and increase reserve lives.

Recent industry successes proximal to Highwood's Mannville stack lands creates optionality. Highwood intends to deploy capital to these assets before year end as these lands provide multiple opportunities including potential steam assisted gravity drainage (SAGD) projects.

Highwood exploring strategic options for its lithium, critical mineral, and rare earth element assets. The Company has seen interest from potential strategic partners and believes there is strong potential to access government funding support.

Initiation of inaugural normal course issuer bid (NCIB). The Company intends to implement its inaugural NCIB in the second half of 2026, subject to approval from the Board of Directors and acceptance by the TSX Venture Exchange.

Important Disclosures: See pages 5-6



GRANITE POINT RESEARCH

Oil & Gas

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Source: FactSet

Market Data

Dividend	\$0.00	Shares O/S (mm)	15.2
Yield	0.0%	Market Cap (mm)	\$74.5
EV (mm)	\$188.5	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.

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	71,791
EV/DACF	3.6x	3.0x	2.4x
EV/boe/d	\$36,085	\$32,067	\$27,354
D/CF	2.2x	1.8x	1.5x
EV/EBITDA	3.0x	2.9x	2.5x

Per Share	2025A	2026E	2027E
CFPS (FD)	\$3.08	\$3.80	\$4.54
CFPS (Basic)	\$3.18	\$3.88	\$4.68
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 Y/Y	(34%)	23%	20%
Production/Share Growth Y/Y	(7%)	15%	12%
Simple Payout (Dividend)	-	-	-
Total Payout (Capex+Div)	114%	84%	74%
Cashflow Margin	52%	58%	60%
D/CF	2.2x	1.8x	1.5x
D/EBITDA	1.8x	1.8x	1.5x

Net Asset Value	\$/Share	P/NAV	Pro Forma (post-clos)
PDP	\$8.55	1.0x	\$9.74
1P	\$23.71	0.4x	\$20.34
2P	\$43.50	0.2x	n.a.
Risked	\$21.08	0.4x	n.a.

Pro forma WC sale: ex-Wildcat

Reserves	2025A	2026E	2027E
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
WAFD 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	22,816
PP&E	255,406	237,683	200,756
Other	30,141	75,355	128,655
Total Assets	322,034	342,509	352,226
Total Debt	105,299	102,378	92,378
Total Liabilities	167,971	171,707	169,668
Total Liabilities & Equity	322,034	342,509	352,226

Funds Flow (\$000)	2025A	2026E	2027E
Funds from Operation	56,397	49,595	63,827
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)	(3,085)

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	16,463	17,411	18,645	19,272	71,791
Adj. EBITDA per share (FD)	3.58	1.15	0.94	1.14	1.13	4.36	1.16	1.24	1.33	1.38	5.11
Adj. Funds Flow per share (FD)	3.22	1.01	0.81	1.03	1.02	3.87	1.04	1.12	1.21	1.27	4.64
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	32,471	33,418	29,954	22,816	22,816
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	343,610	345,876	349,200	352,226	352,226
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	172,680	175,549	179,264	182,558	182,558
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	14,397	15,396	16,679	17,355	63,827
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)	4,329	1,691	(3,072)	(6,032)	(3,085)
Cash end of period	4,564	115	115	115	115	115	4,444	6,134	3,062	(2,970)	(2,970)

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%	-	-	-	-	41.9%
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	14,734	15,733	17,016	17,692	71,791
CFPS - Basic	3.18	1.01	0.81	1.04	1.02	3.88	1.05	1.12	1.23	1.28	4.68
CFPS - Diluted	3.08	1.01	0.79	1.01	0.99	3.80	1.02	1.09	1.19	1.25	4.54
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	8,144	5,506	743	(2,217)	12,175
Valuation and Leverage Ratios											
EV/EBITDA	2.97	-	-	-	-	2.94	-	-	-	-	2.48
EV/BOEPD	36,085	-	-	-	-	32,067	-	-	-	-	27,354
EV/DACF	3.59	11.52	13.67	11.30	11.50	3.00	10.86	9.96	9.25	9.09	2.45
FCF Yield (% Market Cap)	(17.1%)	-	-	-	-	6.8%	-	-	-	-	17.3%
FCF Yield (% EV)	(6.6%)	-	-	-	-	2.6%	-	-	-	-	6.9%
Net Debt (\$000)	116,723	113,985	112,873	112,784	114,821	114,821	107,821	102,874	102,339	105,478	105,478
Net Debt/EBITDA	1.82	(11.61)	8.49	7.01	7.20	1.81	6.65	5.99	5.56	5.54	1.49
Net Debt/CF	2.19	7.99	9.66	7.62	7.91	1.84	7.32	6.54	6.01	5.96	1.47

Source: Company reports, Granite Point Research

Important Disclosures

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RATING	COVERED COMPANIES
BUY	4
HOLD	
SELL	

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