# Paramount Resources Ltd. (PRMRF)

*Updated May 16th, 2025 by Ian Bezek*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $13.37 | **5 Year CAGR Estimate:** | -1.5% | **Market Cap:** | $1.9B |
| **Fair Value Price:** | $6.60 | **5 Year Growth Estimate:** | 8.0% | **Ex-Dividend Date:** | 05/15/25 |
| **% Fair Value:** | 203% | **5 Year Valuation Multiple Estimate:** | -13.2% | **Dividend Payment Date:** | 05/30/25 |
| **Dividend Yield:** | 3.2% | **5 Year Price Target** | $9.70 | **Years Of Dividend Growth:** | 0 |
| **Dividend Risk Score:** | D | **Sector:** | Energy | **Rating:** | Sell |

## Overview & Current Events

Paramount Resources is a Canadian energy company. Shares are dual-listed in Canada under the ticker "POU" and the U.S. with the over-the-counter ticker "PRMRF". The company's base reporting currency is Canadian Dollars, but this report will use U.S. Dollar figures except when otherwise noted.

Paramount Resources has a long history. The company was founded in 1976 and has been publicly-traded since 1978. Paramount became well-known for finding and developing natural gas properties in Western Canada. It also founded several offshoot oil trusts. The company ran into problems in the mid-2010s when the price of oil plummeted. This led to a huge loss in 2015 followed by a massive asset sale to pay down debt. The company rebuilt itself with the purchase of Apache Canada in 2017 and ramped up production from there, returning to robust profitability in 2021.

However, Paramount Resources underwent another corporate makeover. It sold the majority of its oil and gas operations in late 2024 to Ovintiv (OVV) for C$3.3 billion. This left Paramount Resources being debt free and with a huge cash pile. The company, in turn, paid out a gigantic C$15/share special dividend which amounted to $10.57 per share for investors in the U.S. listed PRMRF stock. Paramount Resources now owns a far smaller oil and gas production base focused on the Kaybob region of Alberta along with the Willesden Green Duvernay area also located in Alberta.

The company announced its Q1 2025 results on May 13th, 2025. EPS of C$8.74 skyrocketed from C$0.46 in the prior year but results are not comparable. The vast majority of that profit was from gains on recent asset sales along with receiving insurance claims tied to wildfire damage. Since the company recently sold off the majority of its production base, forward earnings will be far lower. Indeed, cash flow from operations slipped from C$1.52 to C$1.01 per share year-over-year. Analysts are forecasting just 12 cents of earnings for Q2, which gives a much truer reflection of the company's earnings power post-asset sale. Excluding the one-time gain from asset sales, we estimate a 62% decline in EPS for 2025 to 60 cents. There is downside risk to that estimate if the recent decline in oil prices accelerates.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | -$6.21 | $8.21 | $2.28 | -$2.07 | -$0.51 | -$0.13 | $1.31 | $3.41 | $2.36 | $1.58 | ***$0.60*** | ***$0.88*** |
| **DPS** | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.19 | $0.88 | $1.12 | $1.21 | ***$0.43*** | ***$0.63*** |
| **Shares** | 106 | 106 | 116 | 132 | 131 | 133 | 143 | 147 | 148 | 149 | ***149*** | ***155*** |

Paramount Resources has had a highly uneven track record. It had large losses in the mid-2010s associated with the decline in energy prices. After years of losses, however, the firm had a strong run of value creation between 2021 and 2024 which culminated in the successful asset sale to Ovintiv and massive special dividend. As a result of that transaction, Paramount Resources' future earnings outlook has fallen sharply. We are modeling 60 cents of EPS for this year, followed by solid 8%/year growth going forward. We model strong growth, despite falling oil prices, due to the company's ambitious expansion plans. It is planning on spending approximately C$560 million on development of oil and gas properties this year, primarily focused on its Willesden Green Duvernay operations. This includes the drilling of approximately 22 wells along with the construction of its Alhambra processing plant. We expect this investment to eventually translate into 8%/year dividend growth.

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## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. P/E | -- | 1.6 | 8.0 | -- | -- | -- | 14.6 | 6.0 | 8.0 | 13.8 | ***22.3*** | ***11.0*** |
| Avg. Yld. | -- | -- | -- | -- | -- | -- | 2.2% | 2.8% | 2.8% | 3.5% | ***3.2%*** | ***6.5%*** |

Paramount Resources has been unprofitable four out of the past ten years and as such does not have a highly consistent P/E ratio. That said, the P/E ratio has roughly been around 10x in more recent years. We believe the current 22x P/E multiple is quite aggressive compared to the firm's past history, though investors may be giving the firm more credit for its strong balance sheet post-Ovintiv transaction.

The firm's current 3.2% forward dividend yield is above its prior average.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

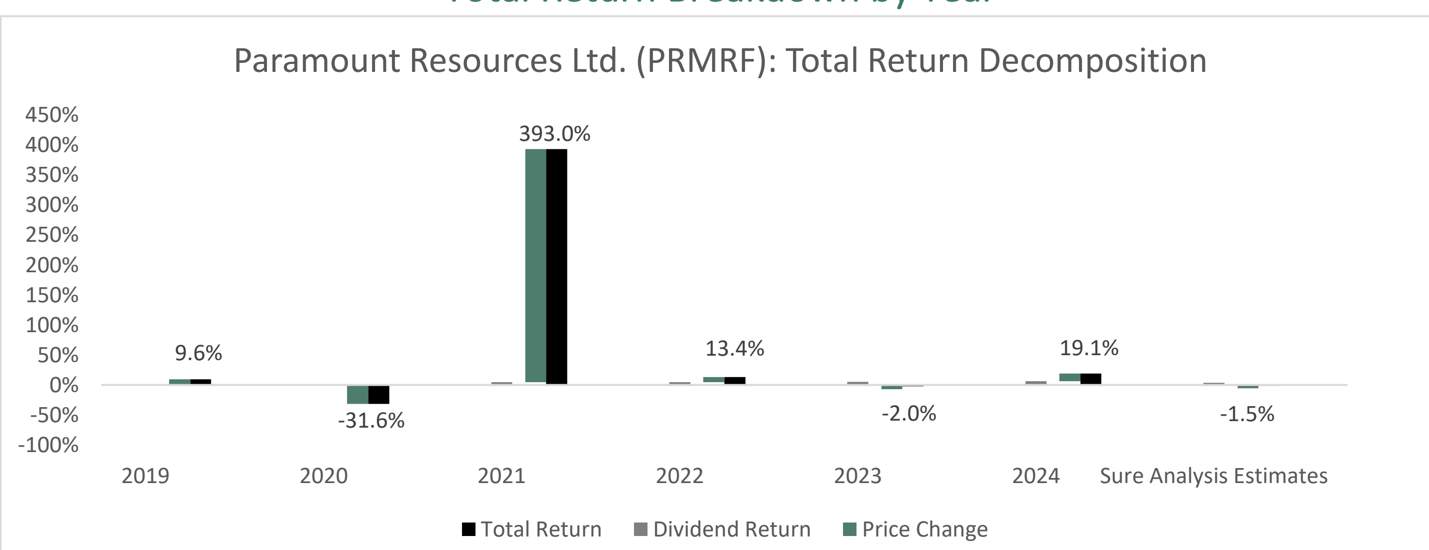
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | -- | -- | -- | -- | -- | -- | 15% | 26% | 47% | 77% | ***72%*** | ***72%*** |

The oil and gas industry is known for boom-and-bust cycles and Paramount Resources is no exception to the rule. Management deserves credit for turning Paramount around after its massive 2015 loss. Its history of M&A transactions has been largely successful. And the recent C$15/share dividend gave long-time shareholders a tremendous reward for their loyalty. It's likely that the current dividend is sustainable, though there is still uncertainty around the firm's core earnings power following the recent asset sales. The firm will also be spending heavily to expand its operations over the next year and there is inherent execution risk tied to the development of natural resource properties.

## Final Thoughts & Recommendation

Paramount Resources is in something of a corporate reboot right now. It sold off its crown jewel assets for a huge cash haul, paying off its debt and rewarding shareholders with a gigantic special dividend. However, there's not much visibility around Paramount's forward earnings. And only time will tell how well the firm's heavy growth investment strategy ends up playing out. PRMRF shares were trading around $20/share last year. Following the $10.57 per share special dividend, we would have expected shares to trade below $10 for the company's remaining assets, especially as oil prices slump once again. Instead, the stock has rebounded to above $13. We see that as considerably above fair value. We forecast slightly negative total returns from here; shares earn a sell rating today.

## Total Return Breakdown by Year




*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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## Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 295 | 188 | 379 | 745 | 689 | 467 | 1,164 | 1,940 | 1,521 | 1,516 |
| Gross Profit | (47) | (15) | 88 | 254 | 295 | 179 | 671 | 1,124 | 765 | 724 |
| Gross Margin | -15.8% | -7.8% | 23.2% | 34.0% | 42.9% | 38.3% | 57.6% | 57.9% | 50.3% | 47.7% |
| SG&A Exp. | 35 | 41 | 45 | 64 | 54 | 34 | 48 | 52 | 61 | 67 |
| Op. Income | (320) | (78) | (242) | (77) | (20) | (70) | 164 | 756 | 309 | 250 |
| Op. Margin | -108.3% | -41.3% | -63.9% | -10.3% | -2.9% | -15.1% | 14.1% | 39.0% | 20.3% | 16.5% |
| Net Profit | (706) | 880 | 260 | (283) | (66) | (17) | 189 | 523 | 348 | 245 |
| Net Margin | -239.2% | 468.3% | 68.6% | -38.0% | -9.6% | -3.6% | 16.2% | 27.0% | 22.9% | 16.2% |
| Free Cash Flow | (321) | (117) | (323) | (275) | (112) | (104) | 161 | 191 | 94 | (30) |
| Income Tax | (10) | 118 | (63) | (149) | 85 | 8 | 68 | 142 | 96 | 44 |

## Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 2,004 | 1,503 | 3,563 | 3,024 | 2,703 | 2,742 | 3,047 | 3,196 | 3,308 | 3,315 |
| Cash & Equivalents | 9 | 461 | 98 | 14 | 5 | 4 | 1 | 2 | 37 | 2 |
| Accounts Receivable | 26 | 9 | 84 | 44 | 66 | 57 | 93 | 149 | 100 | 113 |
| Total Liabilities | 1,609 | 240 | 1,443 | 1,371 | 1,109 | 1,144 | 1,003 | 707 | 671 | 740 |
| Accounts Payable | 71 | 60 | 176 | 138 | 136 | 117 | 165 | 164 | 205 | 156 |
| Long-Term Debt | 1,334 | - | 558 | 598 | 484 | 638 | 303 | 117 | - | 121 |
| Shareholder’s Equity | 395 | 1,264 | 2,120 | 1,652 | 1,595 | 1,598 | 2,044 | 2,489 | 2,638 | 2,575 |
| LTD/E Ratio | 3.37 | - | 0.26 | 0.36 | 0.30 | 0.40 | 0.15 | 0.05 | - | 0.05 |

## Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | -29.7% | 50.2% | 10.3% | -8.6% | -2.3% | -0.6% | 6.5% | 16.8% | 10.7% | 7.4% |
| Return on Equity | -90.5% | 106.1% | 15.4% | -15.0% | -4.1% | -1.1% | 10.4% | 23.1% | 13.6% | 9.4% |
| ROIC | -35.2% | 58.8% | 13.2% | -11.5% | -3.1% | -0.8% | 8.2% | 21.1% | 13.3% | 9.2% |
| Shares Out. | 106 | 106 | 116 | 132 | 131 | 133 | 143 | 147 | 148 | 149 |
| Revenue/Share | 2.79 | 1.77 | 3.28 | 5.64 | 5.28 | 3.50 | 8.15 | 13.20 | 10.26 | 10.16 |
| FCF/Share | (3.03) | (1.10) | (2.79) | (2.09) | (0.86) | (0.78) | 1.13 | 1.30 | 0.63 | (0.20) |

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