



# Cardinal Energy Ltd. (CRLFF)

Updated July 6<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$4.92	<b>5 Year Annual Expected Total Return:</b>	11.3%	<b>Market Cap:</b>	\$798.7M
<b>Fair Value Price:</b>	\$4.50	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	06/30/2025
<b>% Fair Value:</b>	109%	<b>5 Year Valuation Multiple Estimate:</b>	-1.8%	<b>Dividend Payment Date:</b>	07/15/2025
<b>Dividend Yield:</b>	10.8%	<b>5 Year Price Target</b>	\$5.74	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Energy	<b>Rating:</b>	Sell

## Overview & Current Events

Cardinal Energy is a Canadian oil and gas producer operating primarily in Alberta and Saskatchewan, with a strong focus on conventional light and medium oil. Its operations are centered on mature, low-decline fields where enhanced oil recovery methods, like waterflooding and CO<sub>2</sub> injection, are actively used to maintain stable production. The company manages a large inventory of vertical and horizontal wells tied into company-owned infrastructure, which supports efficient field operations and cost control. With over 90% of production weighted to oil and NGLs, Cardinal's day-to-day operations are heavily oil-driven, with ongoing maintenance, recompletions, and targeted infill drilling forming the backbone of its development activity. The company reports its financials in \$CAD. All figures in this report have been converted to USD unless otherwise noted.

On May 8<sup>th</sup>, 2025, Cardinal Energy reported its Q1 2025 results for the period ending March 31<sup>st</sup>, 2025. Total revenue for the quarter was about \$64.8 million, down 16% from the same period in 2024, primarily due to lower commodity prices, particularly for natural gas and heavy oil. Production averaged 20,888 boe/d, relatively flat year-over-year, with oil and NGLs continuing to make up over 90% of the mix.

Operating income came in at \$33.9 million, due to a margin compression from higher costs and weaker pricing. Diluted EPS was \$0.12, down from \$0.15 in the prior year. For the year, we forecast EPS of \$0.50.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	(\$1.17)	(\$0.93)	(\$0.49)	\$0.38	(\$0.23)	(\$2.52)	\$1.46	\$1.42	\$0.49	\$0.47	<b>\$0.50</b>	<b>\$0.64</b>
<b>DPS</b>	\$0.61	\$0.31	\$0.33	\$0.29	\$0.12	\$0.02	---	\$0.28	\$0.54	\$0.50	<b>\$0.53</b>	<b>\$0.53</b>
<b>Shares<sup>1</sup></b>	58.9	70.1	94.1	115.7	115.3	113.4	154.6	157.9	160.0	160.4	<b>161.2</b>	<b>165.0</b>

Cardinal Energy's EPS history over the past decade reflects a volatile journey shaped by commodity cycles, impairments, and operational shifts. From 2015 through 2020, EPS remained consistently negative, with 2020 marking the steepest loss at (\$2.52), due to the dual impact of a global oil price collapse and significant impairment charges stemming from reduced reserve valuations during the COVID-19 downturn. Earlier losses from 2015 to 2017 were mainly tied to weaker oil prices and acquisition-related depreciation burdens, although 2018 briefly broke the trend with a modest \$0.38 profit as oil prices recovered and production volumes increased.

The company's turnaround began in 2021 with EPS of \$1.46, driven by a strong rebound in crude prices, increased production, and disciplined capital spending, which together improved margins and cash flow. This profitability was sustained in 2022, with \$1.42 EPS, though gains moderated slightly as inflationary cost pressures began to emerge. In contrast, 2023 and 2024 saw EPS slide to \$0.49 and \$0.47 respectively, reflecting weaker commodity pricing and margin compression, even as production levels remained relatively stable. We believe the company can sustain EPS growth of 5% per annum from here assuming stable oil prices. However, given the volatile nature of the commodity our estimate is quite speculative.

<sup>1</sup> Share count is in millions.

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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Regarding the dividend, Cardinal Energy has occasionally paid monthly dividends. The company suspended the monthly dividend during the pandemic due harsh market conditions. The company has seen resumed it, and for the past few years it has been sitting at a monthly rate of C\$0.06, which translates to an annualized rate of \$0.53 at the current CAD/USD exchange rate. We don't forecast any dividend growth moving forward.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	---	---	---	9.4	---	---	1.3	3.5	11.3	10.6	9.8	9.0
Avg. Yld.	---	---	5.5%	8.1%	4.9%	1.8%	---	5.6%	9.7%	10.1%	10.8%	9.2%

Cardinal Energy's historical P/AFF ratio is not a dependable valuation metric due to years of negative EPS and extreme volatility even recently, from 1.3x in 2021 to 11.3x in 2023, driven more by commodity price swings than consistent fundamentals. Still, we believe that, generally, a multiple of 9.0x makes for a somewhat fair valuation considering its risk/reward profile. This means the stock is likely modestly overvalued today. The dividend yield, at a massive 10.8%, reflects the underlying risks attached to it.

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

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	76%	---	---	---	20%	110%	106%	106%	83%

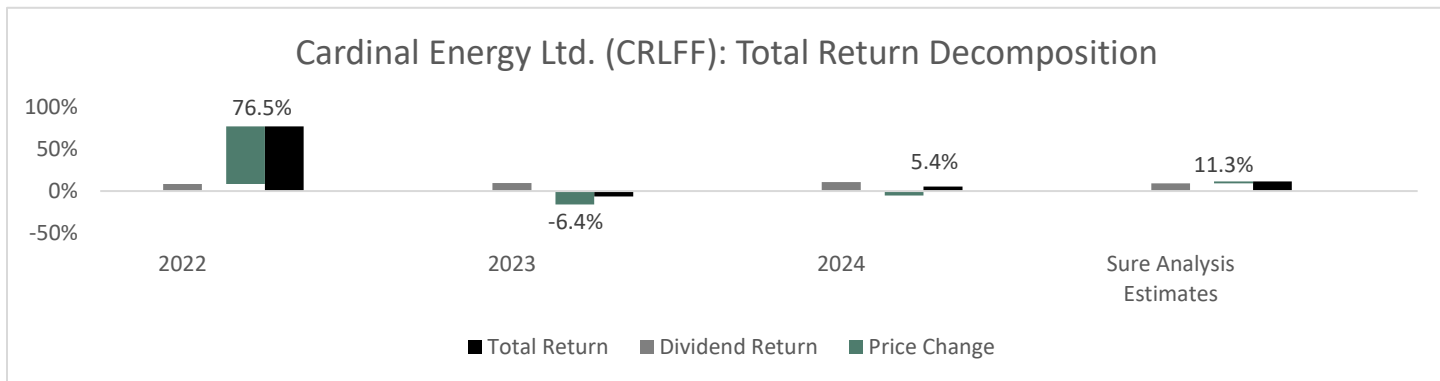
Cardinal Energy's strength lies in its stable, low-decline oil assets and company-owned infrastructure, which back steady production with relatively low sustaining capital. The use of enhanced oil recovery (like water flooding and CO<sub>2</sub> injection) and a focus on conventional reservoirs adds to its operational efficiency.

However, Cardinal's financial performance remains closely tied to oil prices. Despite improvements in debt reduction and cost control, its high dividend payout limits flexibility, and earnings have historically been volatile. While the asset base provides operational stability, the business remains vulnerable to commodity price downturns, which ultimately limits its recession resiliency. Do not blindly trust the dividend.

## Final Thoughts & Recommendation

Cardinal Energy offers a high yield backed by low-decline, conventional oil assets, appealing to investors seeking hefty payouts and exposure to the sector. However, its reliance on oil prices and limited flexibility in downturns make it more suitable for those comfortable with commodity-linked cash flow volatility. We forecast annualized returns of 11.3% at current oil price levels, but our forecast is utterly speculative given the commodity's underlying volatility. Along with the lack of consistent dividend increases, we rate the stock a Sell. We highlight that income-oriented investors should not depend on the monthly dividend.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	140	148	245	296	295	169	358	570	440	446
Gross Profit	55	67	136	178	176	94	231	376	280	286
Gross Margin	39.1%	45.0%	55.8%	60.2%	59.7%	55.7%	64.7%	66.0%	63.6%	64.2%
SG&A Exp.	16	16	22	21	19	14	18	20	20	21
D&A Exp.								1	2	2
Operating Profit	(37)	(35)	4	34	38	(10)	87	198	102	107
Operating Margin	-26.6%	-23.6%	1.5%	11.5%	12.9%	-5.9%	24.2%	34.8%	23.3%	24.0%
Net Profit	(75)	(66)	(44)	47	(26)	(271)	227	233	77	79
Net Margin	-53.8%	-44.6%	-18.2%	15.8%	-8.8%	-160%	63.4%	40.8%	17.4%	17.7%
Free Cash Flow	(73)	(5)	(224)	13	41	9	55	166	75	105
Income Tax	(38)	(22)	(15)	20	7	77	-	(7)	24	25

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	695	702	977	886	880	587	844	851	895	904
Accounts Receivable	18	20	37	16	30	23	40	47	40	43
Total Liabilities	205	219	381	304	315	295	280	169	201	264
Accounts Payable	19	26	42	22	53	33	61	66	65	76
Long-Term Debt	99	80	212	191	166	184	122	23	34	60
Shareholder's Equity	490	483	596	582	565	292	564	682	694	640
LTD/E Ratio	0.20	0.17	0.35	0.33	0.29	0.63	0.22	0.03	0.05	0.09

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-10.1%	-9.4%	-5.3%	5.0%	-2.9%	-36.9%	31.7%	27.5%	8.8%	8.8%
Return on Equity	-13.2%	-13.6%	-8.2%	7.9%	-4.5%	-63.2%	53.0%	37.3%	11.2%	11.9%
ROIC	-11.8%	-11.4%	-6.5%	5.9%	-3.4%	-44.9%	39.0%	33.5%	10.7%	11.1%
Shares Out.	58.9	70.1	94.1	115.7	115.3	113.4	154.6	157.9	160.0	160.4
Revenue/Share	2.37	2.11	2.60	2.56	2.56	1.49	2.32	3.61	2.75	2.78
FCF/Share	(1.24)	(0.07)	(2.39)	0.11	0.35	0.08	0.35	1.05	0.47	0.66

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

## Disclaimer

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