Peyto Exploration & Development Corp. (PEYUF)

Updated March 29th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$19.31	**5 Year Annual Expected Total Return:**	9.4%	**Market Cap:**	$3.96 B
Fair Value Price:	$20.00	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/31/2026
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.7%	**Dividend Payment Date:**	04/15/2026
Dividend Yield:	4.9%	**5 Year Price Target**	$26	**Years Of Dividend Growth:**	0
Dividend Risk Score:	F	**Sector:**	Energy	**Rating:**	Sell

Overview & Current Events

Peyto Exploration & Development is a Canadian natural gas producer focused on the exploration and development of liquids-rich gas plays in Alberta's Deep Basin. The company is one of the lowest-cost natural gas producers in Canada and operates a vertically integrated model, handling drilling, completions, processing, and marketing in-house. Peyto's production is about 88% natural gas and 12% natural gas liquids, with a core emphasis on maximizing return on capital and maintaining low per-unit costs. As of year-end 2025, Peyto held over 8.7 trillion cubic feet equivalent in proved plus probable reserves. It also maintains long-term marketing and hedging contracts to smooth cash flows and enhance price realizations across multiple North American hubs. Peyto pays dividends monthly and has a market cap of $3.96 billion. The company reports in financials in CAD. All figures in this report have been converted to USD unless otherwise noted.

On March 10th, 2026, Peyto reported its Q4 and full year results for the period ending December 31st, 2025. Revenue from natural gas and NGL sales, including realized hedging gains, increased by 14% to $254.9 million, driven by record production levels and a robust hedging program that significantly mitigated low hub prices.

Net income increased by 61% to $89.4 million, or $0.43 per share. The growth was primarily due to a 6% year-over-year increase in production to 140,800 boe/d and industry-leading cash cost efficiency, which resulted in a record 72% operating margin and allowed the company to exceed earnings expectations for the fiscal year. For FY2026, we believe the company will achieve EPS of $3.30. However, we believe the company has an earnings power of $2.00 per share under "normal conditions", which we have embedded in our estimates.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$0.51	$0.85	$0.57	$0.62	($0.17)	$0.70	$1.65	$1.22	$0.99	$1.50	***$3.30***	***$2.55***
DPS	$0.98	$1.05	$0.53	$0.18	$0.07	$0.10	$0.44	$1.00	$0.92	$0.96	***$0.95***	***$0.95***
Shares[1]	162.6	164.9	164.9	164.9	164.9	170.1	175.0	180.3	197.1	203.1	***203.1***	***230.0***

Over the past decade, Peyto's earnings trend has closely tracked natural gas prices. Up until 2018, EPS ranged between $0.51 and $0.85, driven by steady production and low-cost operations, even in weak pricing environments. The company maintained profitability through strict cost control and strong operational execution. In 2018, earnings dipped as gas prices fell and Peyto curtailed capital spending, prioritizing balance sheet preservation.

EPS rebounded to $0.62 in 2019 before falling into a loss in 2020 due to the COVID-19 pandemic and record-low natural gas prices. Despite stable volumes, a decline in realizations and impairments pushed earnings negative. The next bounce began in 2021 with a return to positive bottom line followed by a breakout year in 2022 where EPS surged to $1.65, supported by strong gas prices, expanding margins, and disciplined capital allocation.

In 2023, earnings moderated to $1.22, and further to $0.99 in 2024, as realized prices softened and cost inflation eroded margins. The Repsol asset acquisition helped boost volumes, but higher depletion and financing costs weighed on the

[1] 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.

bottom line. Still, Peyto remained profitable and free cash flow generative. By 2025, earnings rebounded to $1.50 as record production of 134,055 boe/d and strong hedging, capturing gas prices nearly double AECO, drove record profits.

Moving forward, we believe EPS can grow at a CAGR of 5% through 2031, driven by stable production growth, improved price realizations from diversified market access and hedging, synergies from the Repsol acquisition, and a structurally tighter North American natural gas market supported by LNG demand growth and declining U.S. drilling activity. We don't forecast any dividend growth ahead, as current levels of payouts are barely covered.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	46.7	24.5	18.2	7.8	---	6.4	5.4	7.6	10.5	9.0	***9.7***	***10.0***
Avg. Yld.	4.1%	5.0%	5.1%	3.7%	3.3%	2.2%	5.0%	10.7%	8.9%	7.1%	***4.9%***	***3.7%***

Peyto's valuation has normalized from inflated historical levels, with recent P/E multiples settling in the 5x–10x range. Earlier high multiples reflected depressed earnings rather than investor optimism. Today, Peyto seems more or less fairly valued relative to our earnings power estimate. We have set our fair multiple at 10x earnings, which we believe fits the stock's investment case. The current dividend yield is substantial, though below its decade average yield of 5.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	192%	124%	93%	29%	---	14%	27%	82%	93%	64%	***48%***	***37%***

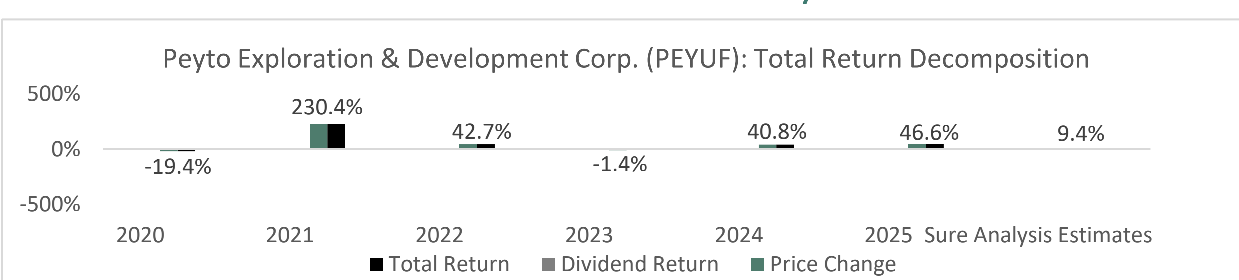
Peyto benefits from full control over its operations, including drilling, processing, and marketing, which enables industry-leading cost efficiency and dependability. Its vertically integrated model, paired with a long reserve life and deep drilling inventory in the Deep Basin, supports consistent returns and self-funded growth without equity dilution. The company has built a reputation for disciplined capital management and lean operations that outperform across cycles.

While natural gas pricing remains inherently volatile, Peyto is better positioned than many peers to weather downturns. Its low cost base, strong hedge program, and infrastructure ownership help protect margins when prices soften. During COVID-19, gas demand for heating and power remained stable, allowing Peyto's cash flows to hold up. However, like most gas-weighted producers, the business remains exposed to broader macro shocks, as seen during the financial crisis when prices and earnings fell sharply. Still, its structural advantages offer relative resilience within a cyclical industry. In any case, we recommend that you don't trust the dividend blindly. Peyto has slashed it more than once during tough industry conditions to protect the balance sheet.

Final Thoughts & Recommendation

Peyto offers low-cost, pure-play exposure to Western Canadian natural gas with full operational control and disciplined capital allocation. Its upside is tied to improving market access and long-term LNG-driven demand growth. We forecast annualized returns of just 9.4% through 2031, to be primarily driven by the starting yield and our modest growth estimate. However, we rate Peyto as a sell due to the absence of dividend growth in recent periods.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	477	423	542	387	354	299	727	1,254	748	663
Gross Profit	201	152	273	143	155	93	459	826	441	307
Gross Margin	42.1%	35.9%	50.3%	37.0%	43.8%	31.1%	63.1%	65.8%	58.9%	46.4%
SG&A Exp.	(0)	13	5	1	11	10	16	17	22	32
Operating Profit	134	70	190	66	72	14	352	690	286	103
Operating Margin	28.1%	16.6%	35.0%	17.0%	20.3%	4.6%	48.4%	55.0%	38.2%	15.6%
Net Profit	108	85	136	100	101	(27)	121	300	217	205
Net Margin	22.6%	20.1%	25.1%	25.7%	28.4%	-8.9%	16.7%	23.9%	29.0%	30.9%
Free Cash Flow	(50)	30	11	196	83	(24)	74	240	173	157
Income Tax	68	32	50	37	(48)	(7)	31	97	68	62

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,419	2,569	3,057	2,708	2,754	2,824	2,968	2,956	4,153	3,836
Cash & Equivalents	-	2	4	-	5	7	4	9	28	10
Accounts Receivable	62	70	72	44	47	44	93	139	122	103
Total Liabilities	1,250	1,426	1,687	1,475	1,442	1,509	1,583	1,437	2,107	1,958
Accounts Payable	104	117	106	84	79	68	133	159	129	112
Long-Term Debt	753	794	1,022	858	857	918	836	633	1,054	943
Shareholder's Equity	1,170	1,143	1,370	1,234	1,312	1,315	1,385	1,519	2,047	1,879
LTD/E Ratio	0.64	0.69	0.75	0.70	0.65	0.70	0.60	0.42	0.52	0.50

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.2%	3.4%	4.8%	3.5%	3.7%	-1.0%	4.2%	10.1%	6.1%	5.1%
Return on Equity	8.6%	7.3%	10.8%	7.7%	7.9%	-2.0%	9.0%	20.7%	12.2%	10.4%
ROIC	5.3%	4.4%	6.3%	4.4%	4.7%	-1.2%	5.5%	13.7%	8.3%	6.9%
Shares Out.	157.5	162.6	164.9	164.9	164.9	164.9	170.1	175.0	180.3	197.1
Revenue/Share	3.03	2.60	3.29	2.35	2.15	1.81	4.28	7.17	4.15	3.36
FCF/Share	(0.32)	0.18	0.07	1.19	0.51	(0.15)	0.44	1.37	0.96	0.80

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