Sayer’s Outlook For 2026 M&A Activity

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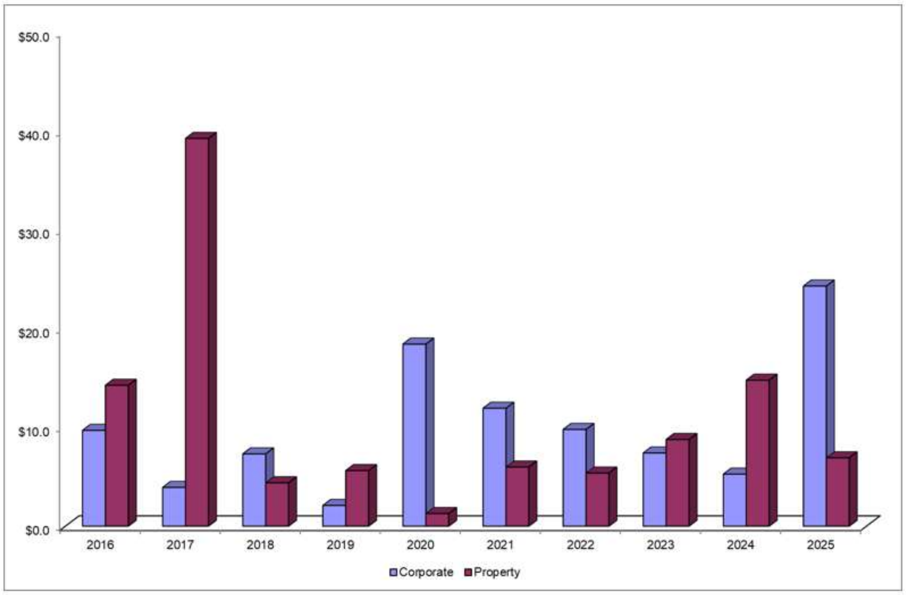
Every January, **Sayer Energy Advisors** publishes its forecast for mergers and acquisitions (“M&A”) activity in the Canadian upstream oil and natural gas industry for the upcoming year. We begin our outlook with a review of our predictions from last January and point to where we think things will go this year.

In 2025, the total value of M&A activity in the Canadian oilpatch was approximately $31.2 billion. This is up significantly from $19.4 billion in 2024 and is the highest value recorded since 2017. In January 2025, we predicted that M&A activity in 2025 would be lower than what we saw in 2024 and forecasted that it would be in the +/- $15.0 billion range. Our prediction missed the mark due to several multibillion-dollar deals in 2025. We also predicted that corporate deals would account for a high percentage of the total transaction value. Approximately 78 per cent, or $24.3 billion of the total value in 2025 came from corporate transactions. In 2024, 23 per cent of the total value was from corporate transactions.

There were four corporate deals in 2025 valued at over a billion dollars, accounting for $23.5 billion of the total M&A value. The largest of these corporate transactions was **Whitecap Resources Inc.** acquiring **Veren Inc.** for $9.9 billion in the first quarter. The second largest deal announced last year was **Cenovus Energy Inc.**’s acquisition **MEG Energy Corp.** for approximately $8.4 billion. The third largest corporate transaction last year was **Ovintiv Inc.**’s planned acquisition of **NuVista Energy Ltd.** for approximately $3.8 billion in the fourth quarter. Ovintiv extended its streak as a billion-dollar purchaser from 2024, when it acquired assets from **Paramount Resources Ltd.** for approximately $3.3 billion. The fourth corporate transaction over $1.0 billion dollars last year was **Cygnet Energy Ltd.**’s acquisition of **Kiwetinohk Energy Corp.** for approximately $1.4 billion.

The largest asset transaction in 2025 was **ARC Resources Ltd.**’s acquisition of Montney assets located in the Kakwa area Alberta from **Strathcona Resources Ltd.** for approximately $1.7 billion. Strathcona announced and subsequently completed the sale of its Montney business for aggregate proceeds of approximately $2.8 billion in three separate transactions in the second quarter including the aforementioned sale to ARC, the sale of its Montney assets located in the Grande Prairie area of

Alberta to **Canadian Natural Resources Limited** for $850.0 million, and the sale of its Montney assets in the Groundbirch area of northeastern British Columbia to **Tourmaline Oil Corp.** for $291.5 million.



Total Yearly Value of M&A Activity (2016-2025) – $billions

A persistent theme in previous forecasts has been uncertainty and frothiness in the Canadian oil and natural gas industry leading to restricted M&A activity, which Sayer still expects to continue throughout 2026. This unease has been caused by a number of factors including: the continued political issues both in Canada and internationally, and the resulting effect on commodity prices, as well as continuous environmental issues.

We predict M&A activity in 2026 to be lower than what we saw in 2025; we forecast in the +/- $15 billion range. We expect to see corporate deals continue to account for a higher percentage of the transaction value than it has for the last several years.

Our prediction of not expecting to see many multibillion-dollar natural gas transactions taking place in 2024 was correct, as there were three natural gas deals valued at over a billion dollars. Ovintiv’s previously-mentioned planned acquisition of NuVista for approximately $3.8 billion was the largest of these, followed by Strathcona’s aforementioned sale of assets to ARC for proceeds of approximately $1.7 billion and Cygnet’s previously-mentioned acquisition of Kiwetinohk for approximately $1.4 billion. *Our prediction stands for 2026. We do not expect to see many multibillion-dollar natural gas transactions occurring in 2026.*

We predicted the number of insolvencies in 2025 to be consistent with what we saw in 2024. In 2025, there were nine insolvencies, compared to 12 insolvencies in 2024 and five in 2023. *We expect to see a similar number of insolvencies in 2026, as we did last year, in part due to weak commodity prices.*

We were correct in predicting that there would be very few, if any, hostile takeover attempts in 2025. There was one notable hostile takeover attempt in 2025: the unsuccessful takeover of MEG by Strathcona, which ultimately resulted in Cenovus acquiring MEG. Subsequent to announcing the sale of its Montney assets, Strathcona commenced with an unsolicited offer to acquire all of the issued and outstanding shares of publicly-held MEG. MEG's board of directors rejected the offer from Strathcona and initiated a strategic alternatives process to maximize shareholder value. Cenovusthrough various offers was ultimately successful in acquiring MEG. *We predict the same for hostile takeover attempts in 2026*.

We predicted that 2025 may see a few multibillion-dollar oilsands transactions. Our prediction was accurate, as the only notable oilsands transaction last year was the previously-mentioned acquisition of MEG by Cenovus for $8.4 billion.

We predict that we may see minor oilsands assets hit the market and we may see a few multibillion-dollar transactions in this sector in 2026, similar to what we witnessed in 2022, 2023, 2024 and 2025.

Over the last several years there has been an issue with the amount of capital entering into the industry through financings, as well as a lack of investor interest through public markets. We predicted that, considering the numerous interest rate cuts seen in 2024, we would see more debt financings versus equity financings occurring in 2025, similar to what we witnessed in 2023.

Capital raised in 2025 including equity and debt issues totalled approximately $9.4 billion. This is up 13 per cent from the $8.3 billion raised in 2024. Of the total $9.4 billion in capital raised in 2025, $8.7 billion consisted of debt financings with the remainder in equity. We were correct in that we saw more debt financings relative to equity financings. *With stable or possibly lower interest rates in 2026, we believe we will see more debt financings versus equity financings occurring in 2026, similar to what we witnessed in 2025*.

In our forecast last year, we predicted that share buy-backs and increased dividends would continue to be a common occurrence in 2025, as was the case in 2024 and 2023. This trend was a very common theme in the Canadian oil and natural gas industry in 2025. *Echoing our prediction from last year, we believe this trend of return of capital to shareholders through share buy-backs as well as increased dividends to shareholders will continue in 2026*.

We are hopeful of a change in sentiment politically toward the Canadian oil and natural gas industry as signalled by a recent energy memorandum of understanding signed between Alberta and Ottawa. We continue to have a positive view that stable oil prices and better political sentiment will bring back investor interest along with some possible equity into the Canadian upstream oil and natural gas industry. If we do see an increase in oil and natural gas prices in 2026, we believe that this will be the best scenario for a robust M&A market.