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Contents | Previous Article | Next Article

A Decrease In Financings Leads To A Lower Number Of Dealers In 2011

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In 2011, a total of $18.0 billion in capital was raised by the Canadian oil and natural gas industry, down 12% from the $20.4 billion raised in 2010. The decrease in total financings also contributed to a drop in the number of dealers servicing the sector. Over the last two years, the number of active dealers servicing the Canadian oil and natural gas industry has fallen from 65 in 2010 to 61 in 2011. The total number of active dealers (defined as those completing over $5 million in total issues per year) was comprised of 32 Canadian independent brokerage companies, 23 foreign-based dealers and six Canadian bank-owned firms. In contrast, in 2010 the total number of active dealers was comprised of 30 foreign-based dealers, 29 Canadian independent brokerage companies and six Canadian bank-owned firms.

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There was a total of $11.1 billion in equity raised during 2011, down $1.9 billion or 14% from the $13.0 billion tabulated in 2010. The top five equity underwriters in 2011 consisted of three Canadian independent investment dealers and two Canadian bank-owned firms, which is in contrast to 2010, when the top five underwriters were four Canadian independent investment dealers and one foreign based brokerage firm. The top five dealers in equity financings in 2011 were: **BMO Nesbitt Burns Inc.**, **FirstEnergy Capital Corp.**, **CIBC World Markets Inc.**, **Peters & Co. Limited** and **RBC Dominion Securities Inc.** Together these dealers raised approximately $3.6 billion of equity in 2011. It is interesting to note that the only two firms which remained in the top five year-over-year were FirstEnergy and Peters.

In terms of the number of equity financings completed, **Canaccord Genuity Corp.** led the pack in 2011 by participating in 82 deals, of which it was lead underwriter in 29. FirstEnergy was in second place by underwriting 76 deals and leading in 20. In third place was **GMP Securities L.P.**, being the lead agent in 23 out of a total of 69 financings it took part in.

In contrast to equity financings, debt financings were up in 2011 compared to 2010. In 2011, debt financings increased 4% to $6.5 billion, from the $6.2 billion of debt raised in 2010. The top five spots were occupied by three foreign-based dealers and two Canadian bank-owned firms. In 2010, the top five dealers consisted of four Canadian bank-owned dealers and one foreign-based brokerage house. The top five dealers in debt financings in 2011 were RBC, **Credit Suisse Group AG**, **Bank of America Merrill Lynch**, **JPMorgan Chase & Co.**, and BMO, each with over $300 million in financings in the category. Both Credit Suisse and RBC were the lead underwriters in **Connacher Oil and Gas Limited**'s two debt financings totaling just under $900 million in May 2011.

There was only one financing done by an oil and natural gas royalty income trust ("RIT") in 2011 with **Parallel Energy Trust** completing its initial public offering and raising $393 million in May 2011. Parallel used the proceeds from the financing to purchase liquids-rich natural gas properties in Texas. The lead underwriters in the financing were CIBC, RBC and **Scotia Capital Inc.** In 2011, RITs as a group raised $1.2 billion. The fall in the value of RIT financing is not unexpected as most of the RITs had converted into corporations by the end of 2010.

In reviewing the financings completed in the first three months of 2012 and comparing it to the first quarter of 2011, the total amount of capital raised is up 17% to approximately $6.6 billion from the $5.6 billion raised over the same time period last year. This increased amount of capital could lead to more dealers servicing the Canadian oil and natural gas industry in 2012.

Note that the methodology we have used to derive the dollar value for dealer activity was to assign the lead dealer of a financing a value of two and all the other dealers in an underwriting syndicate a value of one. For example in a $40 million financing with one lead dealer and two other dealers in an underwriting syndicate, the lead dealer would be credited a value of $20 million and the other two dealers would be assigned a value of $10 million each.

Contents | Previous Article | Next Article