

# Daily Oil Bulletin

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## An Increase In Financings But A Lower Number Of Dealers In 2012

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A total of \$20.4 billion in capital was raised by the Canadian oil and natural gas industry in 2012, up 12 per cent from the \$18.0 billion raised in 2011. The increase in total financings, however, did not prevent 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 to 54 in 2012 from 61 in 2011. The total number of active dealers (defined as those completing over \$5 million in total issues per year) was comprised of 26 Canadian independent brokerage companies, 22 foreign-based dealers and six Canadian bank-owned firms. In comparison, in 2011 the total number of active dealers was comprised of 32 Canadian independent brokerage companies, 23 foreign-based dealers, and six Canadian bank-owned firms.

There was a total of \$10.0 billion in equity raised during 2012, down \$1.1 billion or 10 per cent from the \$11.1 billion tabulated in 2011. The top five equity underwriters in 2012 consisted of four Canadian bank-owned firms and one Canadian independent investment dealer, which is in contrast to 2011, when the top five underwriters were three Canadian independent investment dealers and two Canadian bank-owned firms. The top five dealers in equity financings in 2012 were: **BMO Nesbitt Burns Inc., FirstEnergy Capital Corp., Scotia Capital Inc., RBC Dominion Securities Inc.** and **CIBC World Markets Inc.** Together these dealers raised approximately \$3.3 billion of equity in 2012. It is interesting to note that four of the five firms remained in the top five year-over-year with the only change being Scotia replacing **Peters & Co. Limited** in 2012.



In terms of the number of equity financings completed, **National Bank Financial Inc.** led the pack in 2012 by participating in 60 deals, of which it was lead underwriter in 16. FirstEnergy was in second place by underwriting 56 deals and leading in 12. In third place was **Cormark Securities Inc.**, being the lead agent in 13 out of the total of 51 financings it took part in.

In contrast to equity financings, debt financings were up in 2012 compared to 2011. In 2012, debt financings increased 50 per cent to \$9.8 billion, up \$3.3 billion from the \$6.5 billion of debt raised in 2011. The top five spots were occupied by four Canadian bank-owned firms and one foreign-based dealer. In 2011, the top five dealers consisted of three foreign-based brokerage houses and two Canadian bank-owned dealers. The top five dealers in debt financings in 2012 were RBC, Scotia, **Citigroup Inc.**, BMO and **TD Securities Inc.** each with over \$300 million in financings in the category. BMO and RBC were the only underwriters which remained in the top five year-over-year.

There was a total of \$629 million in financings done by oil and natural gas royalty income trusts ("RITs") in 2012 in comparison to the \$393 million raised in 2011. The largest financing of the year was **Argent Energy Trust**, completing its initial public offering and raising \$244 million in August 2012. Argent used the proceeds from the financing to purchase oil and natural gas properties in Texas. The lead underwriters in the financing were Scotia, CIBC and RBC, who were also the top three dealers in 2012 in financings for this sector.

In reviewing the financings completed in the first three months of 2013 and comparing them to the first quarter of 2012, the total amount of capital raised is down 54 per cent to approximately \$3.0 billion from the \$6.6 billion raised over the same time period last year. This decreased amount of capital could lead to even fewer dealers servicing the Canadian oil and natural gas industry in 2013.

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.