Daily Oil Bulletin

Total M&A Value Rises To Approximately $50 Billion In 2014

MARCH 25, 2015 – VIEW ISSUE (/HEADLINES/2015-03-25)

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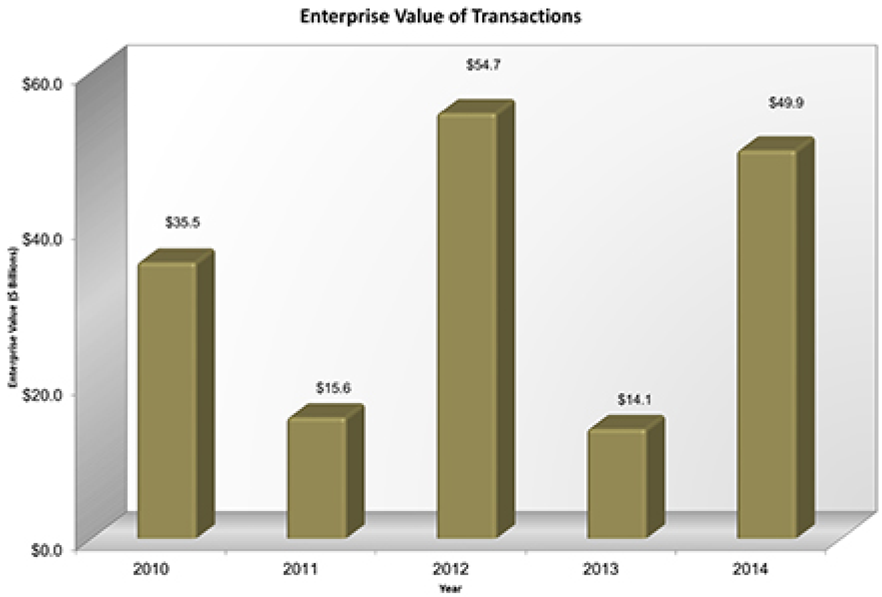
The annual activity level of Canadian mergers and acquisitions ("M&A") transactions swelled to a value of $49.9 billion in 2014. This is an increase of 254 per cent from the annual value of $14.1 billion recorded in 2013. The M&A activity level is measured by total enterprise value of transactions each year.

There were 163 deals valued at over $5 million (large deals) in 2014, of which 31 were corporate transactions and the remaining 132 were property deals. The value split between corporate and property deals was virtually equal in 2014 with $24.9 billion weighted towards corporate deals, up from only $2.9 billion in 2013, and the remaining $24.6 billion weighted towards property transactions compared to $10.7 billion the year before. In 2013 there were 112 large deals, of which 16 were corporate transactions and 96 were property transactions.



For a larger image click here (http://www.dailyoilbulletin.com/media/img/Large-SayerEnterprise.jpg)!

There were 10 deals valued at over $1 billion in 2014 compared to only two in both 2013 and 2012. The largest deal in 2014 was the pending sale of **Talisman Energy Inc.** to **Repsol S.A.** for $18.7 billion, which makes up the majority, or 75 per cent of the corporate transaction value in 2014. The largest property transaction in 2014 was **Canadian Natural Resources Limited**'s purchase of **Devon Canada Corporation**'s conventional assets in Western Canada for approximately $3.1 billion.

Other significant property transactions which occurred in 2014 include the sale of **Encana Corporation**'s Bighorn assets to **Jupiter Resources Ltd.** for $2 billion, and Encana's sale of royalty interests to **PrairieSky Royalty Ltd.** in two separate transactions. PrairieSky was formed to acquire a royalty business from Encana, and undertook an initial public offering in the second quarter of 2014 whereby Encana sold approximately 46 per cent of the company, or 59,800,000 common shares of PrairieSky, at $28 per share. This raised gross proceeds of approximately $1.7 billion. The following quarter, Encana sold its remaining 70,200,000 shares of PrairieSky at $36.50 per share, for additional proceeds of $2.6 billion.

In comparing total M&A value on a commodity basis we saw natural gas-weighted deals increase 475 per cent, rising to $39.1 billion in 2014 from $6.8 billion in 2013. Oil-weighted deals increased 58 per cent to $10.4 billion from $6.6 billion, year-over-year. Natural gas-weighted deals accounted for 79 per cent of the M&A value of large deals in 2014.

In the spring of 2014 we saw a developing trend which involved recapitalization transactions, similar to the trend which transpired in 2009. Junior oil and natural gas producers such as **Panterra Resource Corp.** and **Elkwater Resources Ltd.** were recapitalized with new management and capital, and subsequently completed multiple acquisitions. Panterra was later renamed **Ikkuma Resources Corp.** and acquired approximately $147 million in assets through three separate transactions. Elkwater, which is now known as **Striker Exploration Corp.**, acquired assets from **Whitecap Resources Inc.** for approximately $31 million concurrently with the acquisition of **Exoro Energy Inc.** for approximately $102 million. The acquisitions were partially funded through a $90 million bought deal financing.

Since the beginning of 2015, we have seen a growing number of large deals consisting of high-quality assets and companies being purchased through the issuance of shares. Companies with healthy balance sheets and strong management teams that have been able to complete these kinds of transactions in the current market include **Kelt Exploration Ltd.**, **TORC Oil & Gas Ltd.**, **Tourmaline Oil Corp.**, and Whitecap.

In February 2015, Kelt announced that it had entered into an agreement to purchase **Artek Exploration Ltd.** for a total of approximately $307 million, through the issuance of approximately 26.9 million common shares of Kelt. Kelt will also assume an estimated $89.5 million in net debt. Artek's main assets are located in the Inga-Fireweed-Stoddart area of British Columbia where Kelt is also a joint working interest owner. The deal is expected to close mid-April 2015.

In the same month, TORC acquired light oil assets located in southern Saskatchewan from an undisclosed seller for total proceeds of approximately $128 million, payable through the issuance of 16 million shares of TORC. The acquisition consisted of high-quality, low-decline assets producing over 1,550 boe per day (94 per cent light oil).

Tourmaline recently entered into an agreement to purchase **Perpetual Energy Inc.**'s interests in the Edson area of Alberta for 6.75 million Tourmaline shares equating to an acquisition price of approximately $256.5 million. The transaction includes approximately 5,750 boe per day of natural gas production and 9,600 net acres of undeveloped lands. Tourmaline is a joint working interest owner with Perpetual on these assets. The acquisition will also result in Tourmaline increasing its ownership to 100 per cent in three natural gas plants associated with the property.

Another example of a transaction involving the exchange of shares is Whitecap's recently announced acquisition of **Beaumont Energy Inc.** in cash and shares for approximately $587.5 million based on a Whitecap share price of $14.05. The consideration for each Beaumont share will be 0.40 of a Whitecap share, and includes the option for up to $103.4 million in cash. Whitecap will be assuming an estimated $70.5 million of debt and will be funding the acquisition with a concurrent bought deal equity financing of $110 million.

We have seen a relatively slow start to M&A activity in 2015, but it is likely that activity will increase as companies adapt to the new market conditions. We believe we will continue to see companies completing transactions by using shares as currency through the remainder of the year.

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