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Higher Amount Of Financings Leads To Increase In The Number Of Dealers In 2014

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A total of \$24.1 billion in capital was raised by the Canadian oil and natural gas industry in 2014, up 51 per cent from the \$15.9 billion raised in 2013. The increase in total financings also led to a small jump 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 increased slightly to 58 in 2014 from 55 in 2013. The total number of active dealers (defined as those completing over \$5 million in total issues per year) was comprised of 31 foreign-based dealers, 21 Canadian independent brokerage companies and six Canadian bank-owned firms. By comparison, in 2013 the total number of active dealers was comprised of 31 foreign-based dealers, 18 Canadian independent brokerage companies and six Canadian bank-owned firms.

There was a total of \$11.7 billion in equity raised during 2014, up \$5.6 billion or 92 per cent from the \$6.1 billion in 2013. The top five equity underwriters in 2014 consisted of four Canadian bank-owned firms and one Canadian independent investment dealer, in contrast to 2013, 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 2014 were: **RBC Dominion Securities Inc.**, **FirstEnergy Capital Corp.**, **Scotia Capital Inc.**, **CIBC World Markets Inc.** and **National Bank Financial Inc.** Together these dealers raised approximately \$3.6 billion of equity in 2014. Three of these top five dealers, FirstEnergy, National Bank and RBC, remained in the top five year-over-year.

The largest equity financing completed in 2014 was by **Baytex Energy Corp.**, which raised approximately \$1.5 billion in February to partially fund the acquisition of **Aurora Oil & Gas Limited**. The lead underwriters in that financing were RBC and Scotia Capital.

In terms of the number of equity financings completed, National Bank led the pack for the third straight year in 2014 by participating in 61 deals, of which it was lead underwriter in 10. FirstEnergy was in second place by underwriting 46 deals and acting as lead in 11. **GMP Securities L.P.** also took part in 46 financings in 2014 and was the lead agent in five financings.

Debt financings, like equity financings, were up significantly in 2014 compared to 2013. In 2014 total debt financings were \$12.5 billion, up 26 per cent from the \$9.8 billion raised in 2013. The top five spots in 2014 were occupied by five foreign-based dealers. In 2013, the top five dealers consisted of four foreign-based brokerage houses and one Canadian bank-owned dealer. The top five dealers in debt financings in 2014 were **Citigroup Inc.**, **BNP Paribas**, **RBS Securities Inc.**, **HSBC Holdings plc** and **Morgan Stanley**, each with over \$400 million in financings in the category. In this category there were no underwriters which remained in the top five year-over-year.

The top five debt underwriters listed above were also the lead underwriters in two significant debt financings completed by **Suncor Energy Inc.** in November 2014. Suncor raised a total of approximately \$1.6 billion in these two debt financings.

In reviewing the financings completed in the first three months of 2015 and comparing them to the first quarter of 2014, the total amount of capital raised is up four per cent, to approximately \$6.2 billion from the \$6.0 billion raised over the same time period last year. This increased amount of capital could possibly lead to even more dealers servicing the Canadian oil and natural gas industry in 2015.

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.

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