Daily Oil Bulletin

Total Financings For The First Six Months Of 2015 Fall 15% Year-Over-Year

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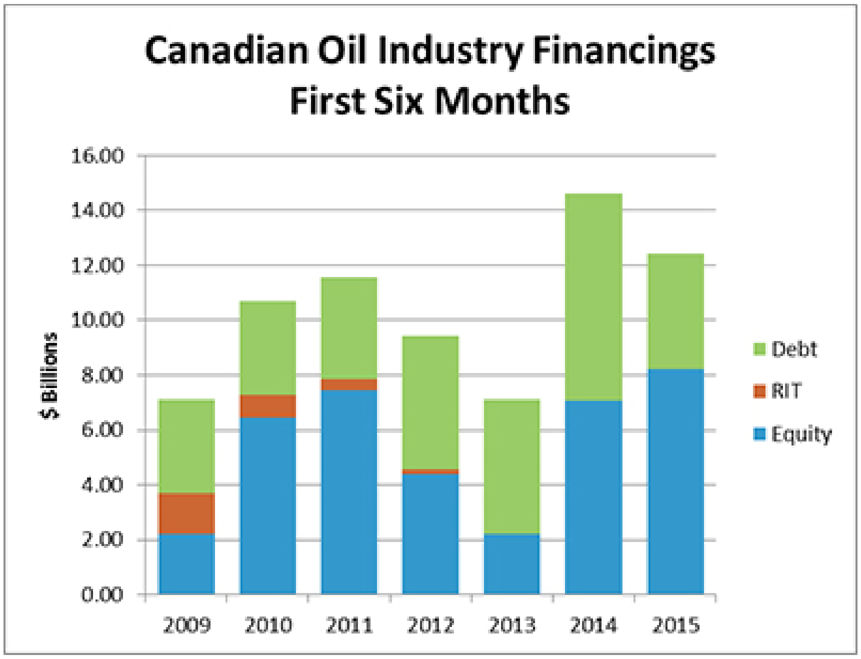
By Ryan Ferguson Young, B.Comm., Sayer Energy Advisors

A total of $12.4 billion was raised by the Canadian oil and natural gas industry in the first six months of 2015, down 15% from the $14.6 billion recorded over the same time period in 2014. Equity financings were up year-over-year while the amount of debt raised declined.

The amount of equity raised climbed 16% to $8.2 billion from $7.1 billion in 2014. Debt financings decreased 45% to $4.2 billion from $7.6 billion in 2014. It is the first year since 2008 that the amount of debt raised has fallen in the first six months of the year.

There were no trust unit financings completed by oil and natural gas royalty income trusts ("RITS") in the first half of 2015, the same as in 2014. The lack of trust unit financings done by RITS over the last three years comes as no surprise as there are only a select few RITS remaining.



The $8.2 billion in equity raised in the first half of 2015 sets the record for the most amount of equity raised in the Canadian oil and natural gas industry in aggregate during the first six months of any year. The amount of equity raised in the first half of 2015 accounted for 66% of the total capital raised, up from 48% in 2014 and 31% in 2013.

The largest equity financings during the first six months of the year were done to reduce bank indebtedness and increase working capital while many of the equity financings in the past have been issued in conjunction with acquisitions or increased capital programs.

Cenovus Energy Inc. had the largest single equity issue in the first six months of 2015 when it raised $1.5 billion through a bought deal financing in February. Cenovus used the proceeds from the financing to provide itself with a stronger balance sheet and financial flexibility to pursue its planned capital program.

Another significant financing which occurred in the first half of 2015 involved **Encana Corporation**, which raised $1.4 billion in March. The proceeds of the offering were used to strengthen Encana's balance sheet and provide Encana with additional financial flexibility by reducing its long-term debt and interest expense.

Crescent Point Energy Corp. raised a total of $660 million in May concurrent with the announcement of its acquisition of **Legacy Oil + Gas Inc.** The funds were used to reduce its debt load following the acquisition, as Crescent Point assumed approximately $900 million in debt from Legacy.

There was a total of approximately $99 million in flow-through equity raised in the first half of 2015, down 52% from the $208 million raised during the same time period last year. The largest flow-through financing in the first six months of this year was completed by **Kelt Exploration Ltd.**, which raised approximately $25 million. Typically, most of the flow-through financings occur in the second half of the year and are a common source of financing for junior oil and natural gas producers because of the tax advantages they provide investors.

As previously mentioned, debt financings totaled $4.2 billion, accounting for 34% of the total capital raised in the first six months of 2015. The vast majority of the debt issues in the first half of this year were comprised of straight debt, contributing 99.5%, with the remaining 0.5% consisting of convertible debt.

Husky Energy Inc. had the largest single debt issue in the first six months of 2015, raising approximately $750 million in 10 year, 3.55% notes in March. The net proceeds of the offering were used for the partial repayment of short term debt incurred in connection with its U.S. refining operations.

In June, **Paramount Resources Ltd.** raised $562 million (US$450 million) of 6.875% senior unsecured notes due in 2023. Due to strong market demand, Paramount increased the size of the offering by US$50 million. Paramount used the proceeds to redeem all of its outstanding 8.25% senior unsecured notes due in 2017 in the aggregate principal amount of $370 million, for capital expenditures and for the temporary repayment of indebtedness under its secured revolving credit facility.

Rounding off the top three was **Seven Generations Energy Ltd**., which raised $500 million (US$425 million) of 6.75% eight year notes. Like Paramount, there was strong demand for the offering and Seven Generations increased the offering by US$25 million when pricing the notes. Seven Generations planned to use the proceeds from the offering for continued development of the Kakwa River Project and for general corporate purposes.

In 2014, the capital markets started to flow more readily, providing additional companies access to capital. So far in 2015, the capital markets reverted back to being selective, allowing only certain companies the opportunity to raise funds in this difficult market. Early this year the price of crude oil continued its fall, crashing down to the prices last witnessed in 2009, following the global financial crisis which stunted the growth of many of the world's economies.

The prices for crude oil rebounded slightly in the second quarter but have fallen again since the beginning of the third quarter of 2015. The fall might be temporary but in any case it certainly doesn't help investor confidence in the near future. The fall in the price of oil, along with the possibility of a recession in Canada, could lead to more choppy waters ahead and investors holding off on placing their bets just yet. As always, time will tell.

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