

ENERGY

TRENDING [Budget 2017](#) | [NAFTA](#) | [RRSP](#) | [TFSA](#) | [Canadian dollar](#) | [Family Finance](#) | [Taxes](#)

Canada's oilpatch is on the prowl for deals again after the long, dark years of the oil rout



GEOFFREY MORGAN | March 20, 2017 7:39 AM ET
[More from Geoffrey Morgan](#) | [@geoffreymorgan](#)

[Republish](#)
[Reprint](#)



The uptick, analysts and dealmakers say, has allowed companies to become acquisitive once again.

Spencer Platt/Getty Images

CALGARY — Dealmakers in the oilpatch are preparing for more mergers and acquisitions this year, as embattled oil and gas producers emerge from a prolonged commodity price rout, start selling more assets and rejig their portfolios.

The start to the year has been relatively slow, however, with 13 deals announced in the first two-and-a-half months of 2017, according to FP Infomart data, valued at just over \$13 billion and dominated by Canadian Natural Resources Ltd.'s \$12.7-billion purchase of oilsands assets last week.

Without CNRL's blockbuster acquisition, the total value of oil patch deals announced in Canada is just over \$300 million, down sharply from 26 announcements worth \$16.2 billion for the same period in 2016.

OILPATCH ON THE PROWL

Mergers and acquisitions in the oilpatch off to a slow start.

Year	Number of deals	Value (\$ billions)
2007	49	\$9
2008	34	\$3.4
2009	27	\$27
2010	49	\$4.6
2011	54	\$5.1
2012	54	\$14.7
2013	26	\$2.5
2014	35	\$12.3
2015	28	\$2.5
2016	26	\$16.3
2017	13	\$13.1

SOURCE: FP INFOMART, MARCH 16, 2017

NATIONAL POST

Oilpatch dealmakers set a record in 2016 in both numbers and value as M&A announcements in the oil, gas and consumable fuels space soared to \$76.6 billion in 2016 for 140 deals, FP Informart data shows.

"I didn't expect the low values that we're getting now just because of how many deals and how much was spent in October, November, December – it was really high," said Mark Young, a senior analyst with Calgary energy consultants CanOils.

Young said a drop in activity to start 2017 is a bit of a surprise given higher commodity prices.

"This February was the lowest total since August 2015 in terms of the number of new deals for Canadian assets," he said.

Despite a recent pullback, oil prices are widely expected to average higher than benchmark prices last year. The uptick, analysts and dealmakers say, should allow companies to become acquisitive once again.

"Stability in commodity prices is key in getting transactions across the goal line, so we think we'll see more M&A occurring in 2017," said Tom Pavic, vice-president at Sayer Energy Advisors in Calgary.

Topping last year will take some effort given the number and size of deals announced. Canadian pipeline companies prowled for deals in 2016, with TransCanada Corp. snapping up Columbia Pipeline Group for \$13 billion, and Enbridge Inc. acquiring Spectra Energy Corp. for \$37 billion.

Related

[M&As involving Canadian companies hit 9-year high as pipeline operators step up acquisitions](#)

[Strong Canadian stock prices are fueling mergers and acquisitions](#)

[Shell's high-tailing is annoying, but there is lots to like about the Canadianization of the oilsands](#)

Oil and gas companies have been publicly marketing assets that produce 138,000 barrels of oil equivalent per day across the four Western Canadian provinces, Young said.

Sayer Energy Advisors is currently helping Shell Canada and Birchcliff Energy Ltd. market natural gas assets in Alberta and B.C. ConocoPhillips announced late last year that it was considering the sale of some assets in Western Canada as it looks to divest US\$8 billion from its portfolio.

A survey of oil and gas executives and investment bankers by Torys LLP and Mergermarket found that 67 per cent expect the volume of energy sector deals in Canada to increase over the next 12 months.

The most acquisitive companies, respondents said, will be large-cap oil and gas producers and explorers followed by international oil companies.

The study also found that people in the energy sector expect to use funds from asset sales to fund other asset purchases.

“It’s clear on the street here in Calgary that companies are focusing on being better in their core areas and focusing their capital on that core,” said Torys partner Chris Christopher.

Ari Pandes, a professor at the University of Calgary’s Haskayne School of Business, said that portfolio realignment would likely be the biggest motivator for deal-making in 2017.

“The hot thing last year was — when oil prices were so low — some companies were debt laden so they had to shore up some cash and get their balance sheets in order,” so they were looking to sell assets, Pandes said.

This year, “I think what you’re seeing is a refocusing for companies. They’re looking at their plays around the world and thinking, ‘Is this the best allocation of my capital?’”

An example of that motivation was the sale of Royal Dutch Shell Plc.’s and Marathon Oil Corp.’s Canadian oilsands assets to CNRL and the reallocation of both of those companies’ capital toward shale resources.

“It takes time to make these deals, I think you’re starting to see — at least we are — a lot of discussion of potential deals,” Christopher said.

Financial Post

gmorgan@nationalpost.com

[Twitter.com/geoffreymorgan](https://twitter.com/geoffreymorgan)



Find Financial Post on Facebook

Topics: **Energy**, **News**, **Oil Prices**, **Oilsands**

0 Comments

Sort by Top



Add a comment...

Facebook Comments Plugin

5