

# Daily Oil Bulletin

COPYRIGHT OF THE DAILY OIL BULLETIN 2016

## Decline In Financings Leads To Significant Drop In The Number Of Dealers In 2015

APRIL 27, 2016 – [VIEW ISSUE \(/HEADLINES/2016-04-27\)](#)



By Tom Pavic, CFA  
Vice President, Sayer Energy Advisors

A total of \$17.1 billion in capital was raised by the Canadian oil and natural gas industry in 2015, down 30% from the \$24.6 billion raised in 2014. The decrease in total financings also led to a significant 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 declined to 35 in 2015 from 58 in 2014. The total number of active dealers (defined as those completing over \$5 million in total issues per year) was comprised of 15 foreign-based dealers, 14 Canadian independent brokerage companies and six Canadian bank-owned firms. By comparison, in 2014 the total number of active dealers was comprised of 31 foreign-based dealers, 21 Canadian independent brokerage companies and six Canadian bank-owned firms.

There was a total of \$10.5 billion in equity raised during 2015, down \$1.3 billion or 11% from the \$11.8 billion in 2014. The top five equity underwriters in 2015 were all Canadian bank-owned firms, in contrast to 2014, when the top five underwriters were four Canadian bank-owned firms and one Canadian independent investment dealer. The top five dealers in equity financings in 2015 were: RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., CIBC World Markets Inc. and BMO Capital Markets. Together these dealers raised approximately \$2.9 billion of equity in 2015. Three of these top five dealers, RBC, Scotia and CIBC remained in the top five year-over-year.

The largest equity financing completed in 2015 was by Cenovus Energy Inc., which raised approximately \$1.5 billion in February to fund its capital expenditure program for 2015. The lead underwriters in that financing were RBC and TD.

In terms of the number of equity financings completed, National Bank Financial Inc. led the pack for the fourth straight year in 2015 by participating in 46 deals, of which it was lead underwriter in six. GMP Securities L.P. was in second place by underwriting 36 deals and acting as lead in 11. FirstEnergy Capital Corp. also took part in 36 financings in 2015 and was the lead agent in seven financings.

Debt financings, like equity financings, were also down significantly in 2015 compared to 2014. In 2015 total debt financings were \$6.6 billion, down 48% from the \$12.8 billion raised in 2014. The top five spots in 2015 were occupied by four Canadian bank-owned firms and one foreign-based dealer. In 2014, the top five dealers were all foreign-based brokerage houses. The top five dealers in debt financings in 2015 were RBC, CIBC, BMO, Scotia and HSBC Holdings plc, each with over \$100 million in financings in the category. HSBC was the only underwriter which remained in the top five year-over-year.

The top five debt underwriters listed above were in the underwriting syndicate for Husky Energy Inc.'s \$750 million debt financing in March of 2015. HSBC, BMO and CIBC were the lead underwriters in that debt offering.

In reviewing the financings completed in the first three months of 2016 and comparing them to the first quarter of 2015, the total amount of capital raised is down 84%, to approximately \$1.2 billion from the \$7.5 billion raised over the same time period last year. This decreased amount of capital being raised could possibly lead to a further decline in the number of dealers servicing the Canadian oil and natural gas industry in 2016.

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.

ARTICLE SECTION: MARKET INTELLIGENCE (/SECTION/MARKET-INTELLIGENCE/)

ARTICLE CATEGORIES: ANALYSIS (/CATEGORY/ANALYSIS/), FINANCE - INVESTMENT (/CATEGORY/FINANCE-INVESTMENT/)