

# Daily Oil Bulletin

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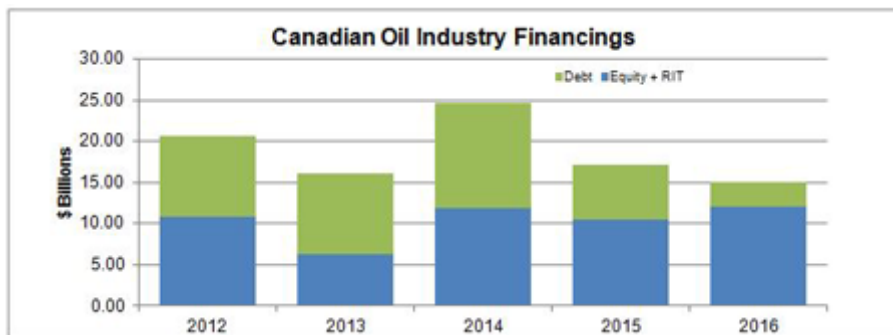
## Total Oil & Natural Gas Financings Down In 2016

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The total amount of capital raised in the Canadian oil and natural gas industry in 2016 decreased 12 per cent from the previous year. In 2016, there was a total of \$15.1 billion in capital raised, compared to \$17.2 billion in 2015. Equity and royalty income trust (“RIT”) financings accounted for 81 per cent of the capital raised, with debt financings taking the balance. The split in 2015 was more evenly weighted, with 61 per cent from equity and RIT financings and 39 per cent from debt financings.

The largest contributing factor for the decrease in capital raised in 2016 was the fall in the total amount of debt financings year-over-year. In 2016 debt financings decreased 56 per cent to \$2.9 billion, down from \$6.7 billion in 2015.



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The total amount of equity raised in 2016 was \$12.1 billion, a 16 per cent increase from the \$10.5 billion in equity raised in 2015. While the total amount of equity raised in 2016 increased, the number of equity issues remained flat at 223. The average size of issues in 2016 increased to \$54.9 million from \$47.0 million in 2015.

Included in the equity category is the flow-through equity raised during 2016, which totaled \$141.1 million, a 22 per cent drop from the \$180.9 million in flow-through raised in 2015. In 2016 there were 37 flow-through equity issuances compared to 43 in 2015, a 14 per cent drop.

The largest single equity financing in 2016 was **Suncor Energy Inc.’s** \$2.9 billion bought-deal common share financing in June. Proceeds from the offering were used to fund Suncor’s acquisition of an additional five per cent interest in the Syncrude project from **Murphy Oil Corporation** for \$937.0 million and to reduce certain outstanding indebtedness, for corporate development and general working capital purposes.

**Encana Corporation** had the second-largest equity offering in 2016, raising \$1.5 billion in September. Half of the proceeds from the financing were used to fund a portion of its 2017 capital program, with the remaining proceeds being used to enhance Encana’s balance sheet flexibility by repaying indebtedness under its credit facility.

Rounding out the top three equity financings was **Seven Generations Energy Ltd.**, which raised \$747.7 million in conjunction with its acquisition of Montney-focused assets from **Paramount Resources Ltd.** for total consideration of \$1.9 billion. The consideration consisted of \$475 million in cash, 33.5 million shares of Seven Generations and the assumption of Paramount’s USD \$450 million 6.875 per cent notes

maturing in 2023. The assets acquired consisted of approximately 30,000 boe/d of liquids-rich Montney production in the Musreau/Kakwa area of Alberta, with a total of 310 net sections of land, of which 155 net sections of land have Montney rights. In addition, the acquisition added operational and investment synergies to Seven Generations' Kakwa River project.

There were no initial public offerings ("IPO") completed in the Canadian oil and natural gas industry in 2016; in 2015, San Angelo Oil Limited completed the only IPO.

The debt category described herein is comprised of straight and convertible debt. There were 47 debt financings in 2016, down 19 per cent from the 58 in 2015. The majority of the debt issues in 2016 were straight debt, accounting for 88 per cent of the total debt issued. The amount of straight debt issues was \$2.6 billion, down 61 per cent from the \$6.6 billion in 2016. Convertible debt tripled year-over-year, up 172 per cent to \$362.6 million from the \$133.1 million in 2016.

In 2016, six of the top ten debt issues were straight debt, while in 2015 and 2014 all of the top ten debt financings were straight debt. The largest debt issue in 2016 was **Canadian Natural Resources Limited's** \$1.0 billion debt financing in August 2016. Canadian Natural used the proceeds for general corporate purposes and for repayment of indebtedness. Suncor also raised an aggregate of \$1.0 billion in debt when it conducted an offering of senior unsecured Series 5 Medium Term Notes issued in two tranches of \$700 million and \$300 million in September with maturities of 20 years and 40 years respectively. Suncor used the proceeds to repay existing short-term indebtedness. Rounding out the top five largest single debt issues were **Velvet Energy Ltd.** raising \$165.1 million in straight debt in October and **Gran Tierra Energy Inc.'s** \$115.0 million convertible debt financing in April.

Gran Tierra's \$115.0 million financing was the largest convertible financing in 2016. **Strategic Oil & Gas Ltd.** had the second-largest single convertible debenture financing in 2016, raising \$94.85 million in February. **Kelt Exploration Ltd.** concluded a \$90.0 million aggregate convertible debt financing when it raised \$75.0 million through a bought deal financing in April 2016 along with a \$15.0 million private placement.

In January 2017, the total amount of capital raised was approximately \$1.9 billion, through the issuance of approximately \$1.2 billion in debt and \$661.0 million in equity. If the year's financings continue at the same rate, the total financings during 2017 could reach 2014 levels. There seems to be renewed optimism as the price of crude oil has been steady near USD \$50 per bbl WTI and investor confidence has improved. Hopefully this translates into a more robust Canadian oil and natural gas industry.

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