

# Daily Oil Bulletin

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## Number Of Dealers Increase In 2016 Despite Drop In Total Financings

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A total of \$15.5 billion in capital was raised by the Canadian oil and natural gas industry in 2016, down 11% from the \$17.4 billion raised in 2015. The drop in total financings didn't stop an increase in the number of dealers servicing the sector. Year over year the number of active dealers servicing the Canadian oil and natural gas industry jumped to 40 in 2016 from 35 in 2015.

The total number of active dealers in 2016 (defined as those completing over \$5 million in total issues per year) was comprised of 18 Canadian independent brokerage companies, 16 foreign-based dealers, and six Canadian bank-owned firms. By comparison, in 2015 the total number of active dealers was comprised of 15 foreign-based dealers, 14 Canadian independent brokerage companies and six Canadian bank-owned firms.

There was a total of \$12.3 billion in equity raised during 2016, up \$1.8 billion or 17% from the \$10.5 billion raised in 2015. The top five equity underwriters in 2016 consisted of three Canadian bank-owned firms, one foreign-based dealer and one Canadian independent brokerage company, in contrast to 2015, when the top five underwriters were all Canadian bank-owned firms.

The top five dealers in equity financings in 2016 were: **TD Securities Inc.**, **J.P. Morgan Securities Inc.**, **CIBC World Markets Inc.**, **RBC Dominion Securities Inc.**, and **Peters & Co Limited**. Together these dealers raised approximately \$4.1 billion of equity in 2016. Three of these top five dealers, TD, CIBC and RBC remained in the top five year-over-year.

**Suncor Energy Inc.** completed the largest equity financing in 2016 raising approximately \$2.9 billion in June to fund the acquisition of an additional five percent interest in the Syncrude joint venture from **Murphy Oil Corporation**, and to repay outstanding indebtedness. The lead underwriters for the financing were TD, J.P. Morgan and CIBC.

In terms of the number of equity financings completed, **National Bank Financial Inc.** led the pack for the fifth straight year in 2016 by participating in 49 deals, of which it was lead underwriter in 14. CIBC was in second place by underwriting 45 deals and acting as lead in 11. In third place was **GMP Securities L.P.**, which participated in 42 financings in 2016 and was the lead agent in nine financings. It should be noted that GMP acquired FirstEnergy Capital Corp. in the latter half of 2016 and our statistics for 2016 do not incorporate the combined entity. In 2016, FirstEnergy as a stand-alone entity participated in a total of 31 equity financings.

In 2016, debt financings, in contrast to equity financings, were down significantly compared to 2015. In 2016, total debt financings were \$3.2 billion, down 54% from the \$6.9 billion raised in 2015. The top five spots in 2016 were occupied by three Canadian bank-owned firms, one Canadian independent brokerage company and one foreign-based dealer. In 2015, the top five dealers consisted of four Canadian bank-owned firms and one foreign-based dealer. The top five dealers in debt financings in 2016 were **BMO Capital Markets**, CIBC, RBC, **AltaCorp Capital Inc.** and **HSBC Holdings plc**, each with over \$200 million in financings in the category. The only change in the top five year over year was AltaCorp replacing **Scotia Capital Inc.**

Four of the top five debt underwriters listed above were in the underwriting syndicate for **Canadian Natural Resources Limited's** \$1.0 billion debt financing in August of 2016. BMO and RBC were the lead underwriters in that debt offering, with AltaCorp and CIBC part of the underwriting syndicate.

In reviewing the financings completed in the first three months of 2017 and comparing them to the first quarter of 2016, the total amount of capital raised is up 591%, to approximately \$8.3 billion from the \$1.2 billion raised over the same time period last year. The significant increase in total financings year over year was driven by **Cenovus Energy Inc.**'s \$3.0 billion bought deal equity financing concurrent with its \$17.7 billion acquisition of certain oil and natural gas properties held by **ConocoPhillips Co.** This increased amount of capital being raised could possibly lead to a further increase in the number of dealers servicing the Canadian oil and natural gas industry in 2017.

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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