

# Daily Oil Bulletin

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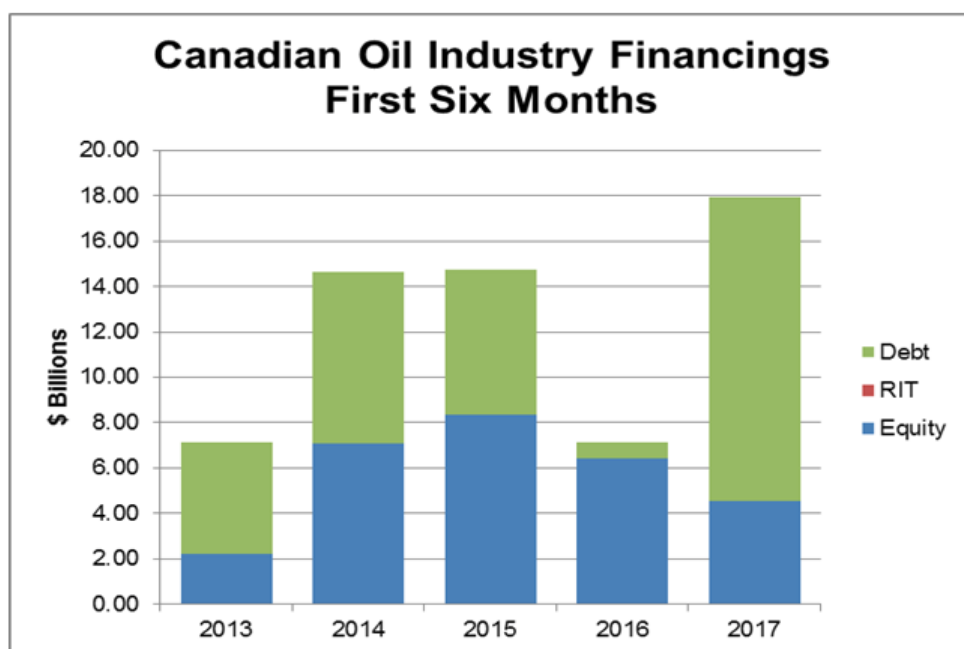
## Debt Financings Drive First Half 2017 Financings To Record High

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A total of \$17.9 billion in equity and debt was raised by the Canadian oil and natural gas industry in the first six months of 2017, representing the highest six-month total on record. **Sayer Energy Advisors** has been tracking these statistics for the last 24 years. This is a 152 per cent increase from the \$7.1 billion recorded over the same time period in 2016.

Debt financings in the first half of 2017 skyrocketed to \$13.4 billion from \$718 million in 2016, while equity financings decreased 29 per cent to \$4.5 billion from \$6.4 billion in the first six months of 2016. In the first half of 2015 and 2016 the total value of equity financings was higher than debt financings, but in the first six months of 2017 debt financings considerably outweighed equity financings.



As previously mentioned, debt financings in the first six months of 2017 totaled \$13.4 billion, accounting for 75 per cent of the total capital raised to date in 2017. The vast majority (99 per cent) of the debt issues in the first half of the year were comprised of straight debt with the remaining one per cent consisting of convertible debt.

**Canadian Natural Resources Limited's** six separate debt issues in May raised over \$5.8 billion, accounting for 44 per cent of the total debt amount in the first six months of 2017. Canadian Natural completed three unsecured note offerings; one issue of \$1.3 billion with a 5.5-year term and a coupon rate of 2.95 per cent per annum, a \$1.7 billion issue with a 10-year term and a coupon rate of 3.85 per cent per annum and the third issue, of \$1.0 billion, has a coupon rate of 4.95 per cent with a 30-year term. Canadian Natural also completed three medium-term note offerings; a \$900 million issue with a three-year term and a coupon rate of 2.05 per cent per annum, a \$600 million offering with a 9.5-year term and a coupon rate of 3.42 per cent and a \$300 million 30-year note issue with a coupon rate of 4.85 per cent per annum.

Canadian Natural used the proceeds of its debt offerings to partially finance its \$12.6 billion acquisition of a 70 per cent working interest in the Athabasca Oil Sands Project. The acquisition included 70 per cent of the Scotford upgrader as well additional working interests in other producing and non-producing oilsands leases. Canadian Natural acquired **Shell Canada Limited's** 60 per cent working interest and **Marathon Oil Corp.'s** 10 per cent working interest in the AOSP (comprising the Jackpine Mine and the Muskeg River mine), the Scotford Upgrader and the Quest Carbon Capture and Storage project located north of Edmonton, its 100 per cent working interest in the Peace River/Carmon Creek thermal in situ operations and Shell Canada's 100 per cent interest in the Cliffdale heavy oil field as well as other oilsands leases in the Birchwood, Ells River, Namur, Pierre River and Saleski areas. Canadian Natural and Shell Canada also agreed to jointly acquire Marathon's 20 per cent share in AOSP and related oilsands investments.

**Cenovus Energy Inc.** completed three unsecured note offerings in April of 2017. The notes were issued in three series; approximately \$1.6 billion on a ten-year term with a coupon rate of 4.25 per cent per annum, approximately \$937.8 million on a 20-year term with a coupon rate of 5.25 per cent per annum and approximately \$1.3 billion on a 30-year term with a coupon rate of 5.40 per cent per annum. Cenovus used the proceeds to partially finance the \$17.7

billion acquisition of assets from **ConocoPhillips**. The transaction included ConocoPhillips's 50 per cent interest in the Foster Creek, Christina Lake and Narrows Lake oilsands assets which are operated by Cenovus. Cenovus also acquired the majority of ConocoPhillips's Deep Basin conventional oil and natural gas assets in Alberta and British Columbia.

The \$4.5 billion in equity raised in the first half of 2017 accounted for only 25 per cent of the total capital raised. In the first half of 2016, \$6.4 billion in equity was raised, accounting for 90 per cent of the total capital raised.

The largest single equity issue recorded in the first six months of 2017 was the \$3.0 billion raised by Cenovus in March, which accounts for 66 per cent of the total equity capital raised in the first half of the year. Cenovus used the proceeds to partially finance the previously-mentioned acquisition of assets from ConocoPhillips.

Another significant financing which occurred in the first half of 2017 involved **MEG Energy Corp.** raising \$517.8 million through a subscription receipt bought deal financing. MEG plans to use the proceeds from the financing to partially fund its \$590 million capital program for 2017.

While the ratio of debt financings to equity financings has shifted in the first half of 2017, it appears that select companies, with the support of debt and equity markets to fund mergers and acquisitions activity, will continue to be successful purchasers in the mergers and acquisitions marketplace.

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