Daily Oil Bulletin

Total Financings Along With Number Of Dealers Increase In 2017

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A total of $22.4 billion in capital was raised by the Canadian oil and natural gas industry in 2017, up 45 per cent from the $15.5 billion raised in 2016. The increase in total financings led to a slight up-tick in the number of dealers servicing the sector. Year-over-year the number of active dealers servicing the Canadian oil and natural gas industry inched higher to 41 in 2017 from 40 in 2016.

The total number of active dealers in 2017 (defined as those completing over $5 million in total issues per year) was comprised of 20 foreign-based dealers, 14 Canadian independent brokerage companies and seven Canadian bank-owned firms. By comparison, in 2016 the total number of active dealers was comprised of 18 Canadian independent brokerage companies, 16 foreign-based dealers and six Canadian bank-owned firms.

There was a total of $5.7 billion in equity raised during 2017, down $6.6 billion or 53 per cent from the $12.3 billion raised in 2016. The top five equity underwriters in 2017 consisted of three Canadian bank-owned firms, one foreign-based dealer and one Canadian independent brokerage company. This was also the exact same breakdown in 2016.

The top five dealers in equity financings in 2017 were: **RBC Dominion Securities Inc.**, **J.P. Morgan Securities Inc.**, **TD Securities Inc.**, **BMO Capital Markets** and **GMP Securities L.P.** Together these dealers raised approximately $1.8 billion of equity in 2017. Three of these top five dealers, RBC, J.P. Morgan and TD, remained in the top five year-over-year.

Cenovus Energy Inc. completed the largest equity financing in 2017, raising approximately $3.0 billion in March to partially fund the $17.7 billion acquisition of assets from **ConocoPhillips Co.** The lead underwriters for the financing were RBC and J.P. Morgan.

In terms of the number of equity financings completed, GMP was the most active dealer by participating in 13 deals, of which it was lead underwriter in three. **Raymond James Financial, Inc.** was in second place by underwriting 11 deals and acting as lead in three. In third place were both **Canaccord Genuity Group Inc.** and **Scotia Capital Inc.** which both participated in 10 financings in 2017 but were not the lead agents in any financings. It should be noted that GMP acquired **FirstEnergy Capital Corp.** in the latter half of 2016 and our statistics for 2017 do incorporate the combined entity.

In 2017, debt financings, in contrast to equity financings, were up significantly compared to 2016. In 2017, total debt financings were $16.7 billion, up 423 per cent from the $3.2 billion raised in 2016. The top five spots in 2017 were occupied by three Canadian bank-owned firms and two foreign-based dealers. In 2016, the top five dealers consisted of three Canadian bank-owned firms, one Canadian independent brokerage company and one foreign-based dealer. The top five dealers in debt financings in 2017 were TD, **Citigroup Inc.**, RBC, Scotia Capital and **Bank of America Merrill Lynch**,each with over $575.0 million in financings in the category. The only dealer which remained in the top five year-over-year was RBC.

All five of the top debt underwriters listed above were part of the underwriting syndicate for **Canadian Natural Resources Limited**'s three separate debt financings over $1.0 billion in May 2017. In total, Canadian Natural raised just over $4.0 billion in three separate debt financings of $1.7 billion, $1.3 billion and $1.0 billion respectively. TD, Citigroup and Bank of America were part of the group of lead underwriters in the aforementioned three debt offerings, with RBC and Scotia part of the underwriting syndicate. In addition, in May 2017 Canadian Natural also completed a fourth debt financing of $900.0 million where the lead underwriters were TD, RBC and Scotia.

In reviewing the financings completed in the first three months of 2018 and comparing them to the first quarter of 2017, the total amount of capital raised is down 88 per cent, to approximately $900.0 million from the $7.3 billion raised over the same time period last year. This decline in the amount of capital being raised could possibly lead to a drop in the number of dealers servicing the Canadian oil and natural gas industry in 2018.

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 $40.0 million financing with one lead dealer and two other dealers in an underwriting syndicate, the lead dealer would be credited a value of $20.0 million and the other two dealers would be assigned a value of $10.0 million each.