

# Total Financings Along With Number Of Dealers Crash In 2018

By [Tom Pavic, Sayer Energy Advisors \(/author/tom-pavic-sayer-energy-advisors/\)](#)

Wednesday, May 29, 2019, 6 AM MDT

[Print](#)

A total of \$5.2 billion in capital was raised by the Canadian oil and natural gas industry in 2018, down 77 per cent from the \$22.4 billion raised in 2017. The decrease in total financings led to a crash in the number of dealers servicing the sector. Year-over-year the number of active dealers servicing the Canadian oil and natural gas industry fell to 24 in 2018 from 41 in 2017.

The total number of active dealers in 2018 (defined as those completing over \$5 million in total issues per year) was comprised of 10 foreign-based dealers, eight Canadian independent brokerage companies and six Canadian bank-owned firms. By comparison, in 2017 the total number of active dealers was comprised of 20 foreign-based dealers, 14 Canadian independent brokerage companies and seven Canadian bank-owned firms.

There was a total of \$1.9 billion in equity raised during 2018, down \$3.8 billion or 67 per cent from the \$5.7 billion raised in 2017. The top five equity underwriters in 2018 consisted of two foreign-based dealers, two Canadian independent brokerage companies and one Canadian bank-owned firm. In contrast, in 2017 the top five equity underwriters consisted of three Canadian bank-owned firms, one foreign-based dealer and one Canadian independent brokerage company.

The top five dealers in equity financings in 2018 were: **BMO Capital Markets, Stifel, Nicolaus & Company, Incorporated, GMP Securities L.P., Pareto Securities ASA** and **Cormark Securities Inc.** Together these dealers raised approximately \$340 million of equity in 2018. Two of these top five dealers, BMO and GMP remained in the top five year-over-year.

**NuVista Energy Ltd.** completed two significant equity financings in 2018 — raising a total of approximately \$400 million in August to partially fund the \$625 million acquisition of assets from **Cenovus Energy Inc.** NuVista raised \$214 million publicly through a bought-deal equity financing and \$170 million in a private placement equity financing. BMO, GMP and Cormark were underwriters in both of those financings.

In terms of the number of equity financings completed, **Mackie Research Capital Corporation** was the most active dealer by participating in eight deals, of which it was lead underwriter in all eight. **Canaccord Genuity Group Inc.** was in second place by also underwriting eight deals but acting as lead in five. In third place was **Haywood Securities Inc.**, which participated in five equity financings in 2018 and was the lead agent in all five financings.

In 2018, debt financings, like equity financings, were down significantly compared to 2017. In 2018, total debt financings were \$3.3 billion, down 80 per cent from the \$16.7 billion raised in 2017. The top five spots in 2018 were occupied by two Canadian bank-owned firms, two foreign-based dealers and one Canadian independent brokerage company. In 2017, the top five dealers consisted of three Canadian bank-owned firms and two foreign-based dealers. The top five dealers in debt financings in 2018 were Pareto, **Bank of America Merrill Lynch, SMBC Nikko Securities America, Inc., RBC Dominion Securities Inc.** and **CIBC World Markets** each with over \$100 million in financings in the category. The only dealers which remained in the top five year-over-year were Merrill Lynch and RBC.

**Harvest Operations Corp.** completed the largest debt financing in 2018 with its \$511 million debt financing in May. Both Merrill Lynch and SMBC Nikko were the lead underwriters for Harvest's debt financing. In May 2018, Harvest also received a commitment from an affiliate of SMBC Nikko to provide a five-year term loan facility for an aggregate principal amount of up to \$300 million.

In reviewing the financings completed in the first three months of 2019 and comparing them to the first quarter of 2018, the total amount of capital raised is up 50 per cent, to approximately \$1.5 billion from the \$1.0 billion raised over the same time period last year. This increase in the amount of capital being raised could possibly lead to an increase in the number of dealers servicing the Canadian oil and natural gas industry in 2019.

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.

**Categories:** [Analysis \(/category/analysis/\)](#) / [Finance - Investment \(/category/finance-investment/\)](#)

---