

Higher Amount Of Debt Financings Drives Dealer Increase In 2019

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

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A total of \$5.4 billion in capital was raised by the Canadian oil and natural gas industry in 2019, up one per cent from the \$5.3 billion raised in 2018. The small increase in total financings surprisingly led to a jump in the number of dealers servicing the sector. Year-over-year the number of active dealers servicing the Canadian oil and natural gas industry increased to 33 in 2019 from 24 in 2018. The significant increase in debt financings year-over-year contributed to the uptick in the number of dealers servicing the Canadian oil and natural gas industry in 2019 versus 2018.

The total number of active dealers in 2019 (defined as those completing over \$5 million in total issues per year) was comprised of 21 foreign-based dealers, eight Canadian bank-owned firms and four Canadian independent brokerage companies. By comparison, in 2018 the total number of active dealers was comprised of ten foreign-based dealers, eight Canadian independent brokerage companies and six Canadian bank-owned firms.

In 2019, debt financings, were up significantly compared to 2018. In 2019, total debt financings were \$4.6 billion, up 36 per cent from the \$3.4 billion raised in 2018. The top five spots in 2019 were all occupied by foreign-based dealers whereas, in 2018 the top five dealers consisted of two Canadian bank-owned firms, two foreign-based dealers and one Canadian independent brokerage company. The top five dealers in debt financings in 2019 were **JP Morgan Securities LLC**, **Goldman Sachs Group, Inc.**, **Barclays Capital Inc.**, **Bank of America Merrill Lynch** and **ABC International Holdings Limited** each with over \$200 million in financings in the category. The only dealer which remained in the top five year-over-year was Merrill Lynch.

CNOOC Limited completed the largest debt financing in 2019 with its \$1.3 billion debt financing in September. **Husky Energy Inc.** completed the second largest debt financing in 2019 by raising just under \$1.0 billion in March. Both Goldman Sachs and JP Morgan were lead underwriters for both CNOOC and Husky's debt financings

There was a total of \$700 million in equity raised during 2019, down \$1.2 billion or 62 per cent from the \$1.9 billion raised in 2018. The top five equity underwriters in 2019 consisted of two foreign-based dealers, two Canadian independent brokerage companies and one Canadian bank-owned firm. In 2018, the top five equity underwriters also consisted of two foreign-based dealers, two Canadian independent brokerage companies and one Canadian bank-owned firm.

The top five dealers in equity financings in 2019 were: **Peters & Co. Limited**, **Haywood Securities Inc.**, **Pareto Securities Limited**, **AltaCorp Capital Inc.** and **Raymond James Ltd.** Together these dealers raised just under \$300 million of equity in 2019. Only one of these top five dealers, Pareto, remained in the top five year-over-year.

Topaz Energy Corp. completed a significant private placement equity financing in 2019; raising a total of approximately \$209 million in November which partially funded the \$786 million acquisition of assets from **Tourmaline Oil Corp.** The assets consisted of a royalty interest on Tourmaline lands, a non-operated interest in two of Tourmaline's existing 19 natural gas processing plants, and a contracted interest in a portion of Tourmaline's current third-party revenue. Peters was the sole underwriter in Topaz's private placement equity financing.

In terms of the number of equity financings completed, **KES 7 Capital Inc.** was the most active dealer by participating in three deals, of which it was lead underwriter in all three. Pareto and National Bank Financial Inc. were both in second place by underwriting two deals and acting as lead in two. In third place was Laurentian Bank Securities Inc. which also participated in two equity financings in 2019 but was not the lead underwriter in either financing.

In reviewing the financings completed in the first three months of 2020 and comparing them to the first quarter of 2019, the total amount of capital raised is up 61 per cent, to approximately \$2.4 billion from the \$1.5 billion raised over the same time period last year. A majority of the capital raised in the first quarter of 2020 was raised prior to the coronavirus outbreak. How the coronavirus outbreak unfolds, will have a significant effect on how much capital will be raised and how many dealers will be servicing the Canadian oil and natural gas industry in 2020.

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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