

Debt Financings Jump 169% Year-Over-Year

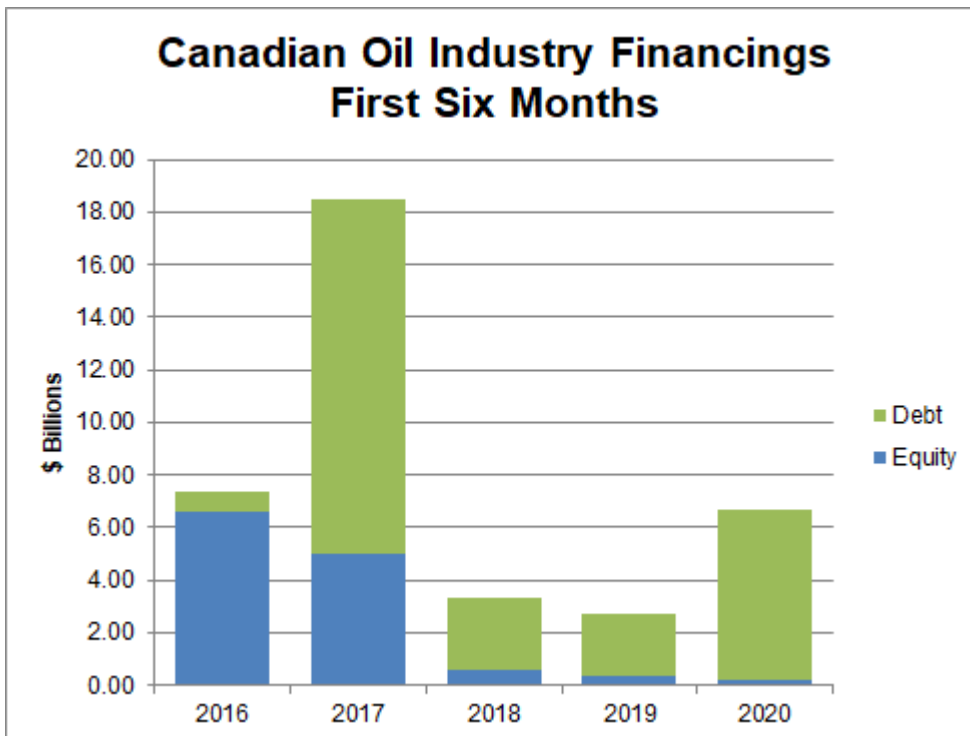
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Wednesday, September 30, 2020, 6 AM MDT

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A total of \$6.7 billion in equity and debt was raised by the Canadian oil and natural gas industry in the first six months of 2020, up 145 per cent from the \$2.7 billion recorded over the same time period in 2019. Debt financings were up significantly year-over-year while the amount of equity raised declined.

The amount of debt raised increased 169 per cent to \$6.5 billion from \$2.4 billion in the first half of 2020, while equity financings decreased 36 per cent to approximately \$212.0 million from \$329.3 million in the first six months of 2020.



As previously mentioned, debt financings in the first six months of 2020 totalled \$6.5 billion, of which only \$2.2 million was categorized as convertible debt. Debt financings accounted for 97 per cent of the total capital raised in the first half of 2020. In the first six months of 2019, debt financings accounted for 88 per cent of the total capital raised in the first half of 2019.

The largest single debt issue in the first half of 2020 was done by **MEG Energy Corp.**, which had initially announced an offering of US\$800.0 million which was subsequently increased to US\$1.2 billion (approximately C\$1.6 billion). The offering was comprised of senior unsecured notes due in 2027 with a coupon rate of 7.125 per cent. MEG used the proceeds of this debt offering, together with cash on hand, to refinance its 6.375 per cent unsecured senior notes due in January 2023 and to redeem a portion of its 7.0 per cent unsecured notes due in March 2024.

Suncor Energy Inc. (/company/suncor-energy-inc/) raised approximately \$1.7 billion through three separate debt issues. In April, Suncor raised \$1.3 billion in medium-term notes with a 10-year term, which bear interest at 5.0 per cent. In May, Suncor completed two unsecured senior note offerings, a US\$450.0 million (C\$633.3 million) on a three-year term with a coupon rate of 2.8 per cent and a US\$550.0 million (C\$774.0 million) on a five-year term with a coupon rate of 3.1 per cent. Suncor used the proceeds to repay short-term indebtedness and for general corporate purposes.

Canadian Natural Resources Limited (/company/canadian-natural-resources-limited/) was also active in the first six months of 2020, completing two unsecured debt issues in June.

Canadian Natural raised US\$600.0 million (C\$815.5 million) of five-year term notes with a coupon rate of 2.05 per cent and US\$500.0 million (C\$679.6 million) of 10-year term notes with a coupon rate of 2.95 per cent. Canadian Natural used the proceeds to refinance outstanding short-term indebtedness and for general corporate purposes.

The \$212.0 million in equity raised in the first half of 2020 accounted for only 3 per cent of the total capital raised. In the first half of 2019, \$329.3 million in equity was raised, accounting for 12 per cent of the total capital raised. The top three equity issuances, totalling approximately \$146.9 million, accounted for 69 per cent of the total equity raised in the first half of 2020. This is the fifth consecutive year where equity financings have declined on a year-over-year basis. There were no flow-through financings closed in the first six months of 2020.

The largest equity issue recorded in the first six months of 2020 was **Return Energy Inc.**'s \$58.9 million subscription receipt financing and its concurrent \$5.1 million common share offering. Proceeds of the financing were used towards the acquisition of assets from **Bellatrix Exploration Ltd.**, to further fund the development of the acquired assets and for general working capital purposes. Contemporaneous with the closing of the acquisition, Return completed a name change to **Spartan Delta Corp.**

Corridor Resources Inc. raised a total of \$50.0 million by way of a \$30.0 million subscription receipt financing and a \$20.0 million non-brokered private placement as part of a definitive investment agreement that also consisted of the appointment of a new management team made up of former members of the management team of **Raging River Exploration Inc.** and the reconstitution of the board of directors. Following the closings, Corridor completed a name change to **Headwater Exploration Inc.**

The third-largest equity financing was completed by **Africa Energy Corp.** which raised US\$25.0 million (C\$32.9 million) through a common share offering. Proceeds of the offering were used to finance the drilling of up to three exploration wells offshore South Africa.

Topaz Energy Corp. late last week announced an initial public offering (“IPO”) of its shares for total proceeds of approximately \$252.5 million consisting of a \$217.5 million treasury offering and a \$35.0 million secondary offering (Topaz shares held by **Tourmaline Oil Corp.**). Topaz is a royalty and energy infrastructure company focused on generating free cash flow growth and paying sustainable dividends to shareholders. Topaz’s initial assets were spun out of Tourmaline. Tourmaline will continue to maintain significant ownership in Topaz following the IPO, holding just over a 50 per cent interest in Topaz.

Topaz’s planned IPO is significant in that the total amount of the treasury offering portion of the IPO of \$217.5 million is higher than the total amount of equity raised in the first half of 2020. Outside of the Topaz IPO, with continued depressed share prices, a lack of investor support for Canadian oil and natural gas exploration and production companies coupled with continued uncertainty relating to the COVID-19 pandemic, we forecast the amount of equity which will be raised for the remainder of 2020 will be in line with what we witnessed in the first half of 2020.

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