

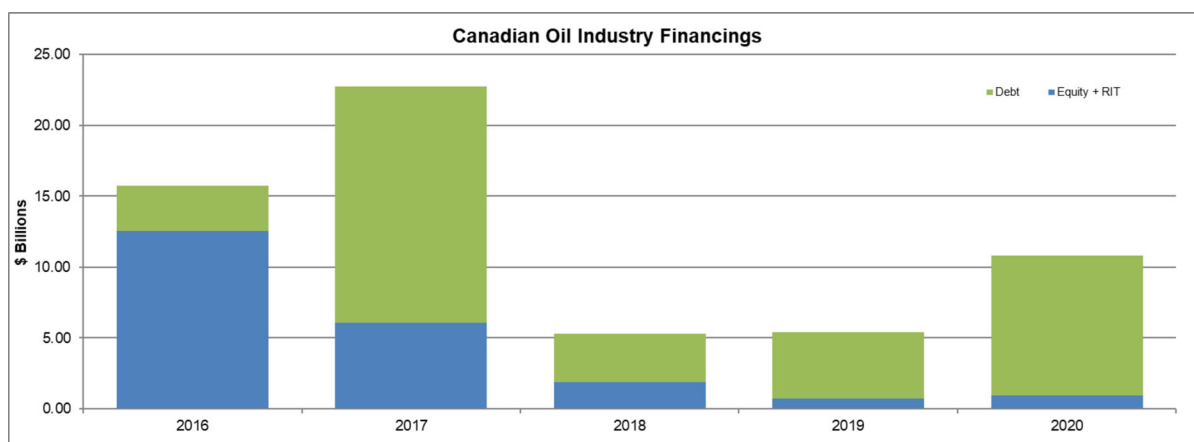
[www.dailyoilbulletin.com /article/2021/2/24/total-oil-natural-gas-financings-more-than-double/](http://www.dailyoilbulletin.com/article/2021/2/24/total-oil-natural-gas-financings-more-than-double/)

Total Oil & Natural Gas Financings More Than Double In 2020

Ben Rye, Sayer Energy Advisors

The total amount of capital raised in the Canadian oil and natural gas industry in 2020 more than doubled from the previous year. In 2020, there was a total of \$10.9 billion in capital raised, compared to \$5.4 billion in 2019. In 2018 the level of financings reached a record low at \$4.3 billion. Debt financings in 2020 accounted for almost all of the capital raised at 91 per cent, with equity financings making up the remainder. There was a similar split in 2019 with 86 per cent from debt financings and 14 per cent from equity.

The largest contributing factor for the surge in capital raised in 2020 was the jump in the total amount of debt financings year-over-year. In 2020 debt financings rose 113% to \$9.9 billion from \$4.7 billion in 2019.



The debt category described herein is comprised of straight and convertible debt. There were 29 debt financings in 2020, down 26 per cent from the 39 in 2019. The amount of straight debt issues was \$9.9 billion, up 117 per cent from the \$4.6 billion in 2019. Convertible debt plunged year-over-year, down 97 per cent to \$2.6 million from the \$85.3 million recorded in 2019.

In 2020, all of the top ten debt issues were straight debt, while in 2019 nine of the top ten debt financings were straight debt.

The largest debt issue in 2020 was **MEG Energy Corp.**'s \$1.6-billion financing in January for seven-year notes with an interest rate of 7.125 per cent. MEG used the proceeds, together with cash on hand, to refinance the company's 6.375 per cent senior unsecured notes due January 2023 by way of a previously announced conditional redemption and to redeem a portion of the 7.00 per cent senior unsecured notes due March 2024.

Canadian Natural Resources Limited completed two debt issuances in June for total proceeds of approximately \$1.5 billion. The company issued \$815.5 million in 2.05 per cent unsecured notes maturing on July 15, 2025, and \$679.6 million in 2.95 per cent unsecured notes maturing on July 15, 2030. Canadian Natural also raised \$800.0 million in November when it completed a three-year medium-term note offering for \$500.0 million with a 1.45 per cent coupon rate and a seven-year medium-term note offering for \$300.0 million with a 2.5 per cent coupon rate. Proceeds from all the offerings were primarily used to refinance the company's outstanding short-term indebtedness and for general corporate purposes.

Suncor Energy Inc. raised \$1.4 billion in May through two separate debt offerings. Suncor issued \$633.3 million in three-year senior unsecured notes with a 2.8 per cent coupon rate and \$774.0 million in five-year senior unsecured notes with a 3.1 per cent coupon rate. In April, Suncor also issued \$1.3

billion in 10-year senior unsecured notes with a 5.0 per cent coupon rate. Proceeds from all the offerings were primarily used to refinance Suncor's outstanding short-term indebtedness and for general corporate purposes.

The total amount of equity raised in 2020 was \$944.4 million, a 28 per cent increase from the approximately \$740.0 million in equity raised in 2019. While the total amount of equity raised increased in 2020, the number of equity issues decreased to 95 from 124 in 2019. The average size of issues in 2020 increased to \$9.9 million from \$5.9 million in 2019.

There was one initial public offering ("IPO") completed in the Canadian oil and natural gas industry in 2020. **Topaz Energy Corp.** completed the only IPO, which was also the largest single equity financing in 2020. The Topaz IPO was priced at \$13.00 per share and closed in October for proceeds of \$217.5 million followed by closing of the over-allotment option in November for an additional \$32.6 million. There were no IPOs recorded in 2019.

Prior to the IPO, Topaz also recorded the second-largest equity offering in 2020. Topaz completed a private placement in July at a price of \$11.00 per share for total gross proceeds of \$145.3 million. Proceeds from the offering were used to finance the acquisition of a 12.5% working interest in **Advantage Oil & Gas Ltd.**'s Glacier natural gas plant for \$100.0 million.

Rounding out the top three equity financings was **Pipestone Energy Corp.**, which closed its \$70.0 million convertible preferred share financing in September. The preferred shares ("CP Shares") were acquired through a subscription agreement with **Riverstone V EMEA Holdings Cooperatief U.A.**, **GMT Capital Corp.** and **GMT Exploration Company LLC** (collectively the "Investors"). The Investors acquired 70,000 CP Shares which have a conversion price of \$0.85 per common share and have a term of five years. The CP Shares were sold at a price of \$970 per share, and entitle the Investors to an annual dividend of 6.5 per cent per year, payable quarterly in-kind, or in cash after two years from issuance, at the sole option of Pipestone. Proceeds from the offering were used to accelerate development activities in the fall of 2020.

Included in the equity category is the amount of flow-through equity raised during 2020, which totaled \$10.5 million. The most significant flow-through financing in 2020 was done by **Surge Energy Inc.**, which completed a \$10.3 million flow-through financing in January 2020 at a price of \$1.18 per common share. The \$10.5-million total represents an 89 per cent drop from the \$93.0 million in flow-through-equity raised in 2019.

We are optimistic that we will see an increase in financings in the industry through 2021; however, as we have been forecasting over the last number of years, capital markets are likely to remain restricted and selective in the near term by primarily supporting larger, stronger oil-weighted public entities in 2021. We forecast we will continue to see debt financings outweigh equity financings in 2021, as was illustrated by **Tourmaline Oil Corp.** announcing last month the issuance of \$250.0 million in unsecured notes due in January 2028 bearing interest at a fixed rate of 2.077 per cent per annum.