

Total Equity Financings More Than Double In 2021

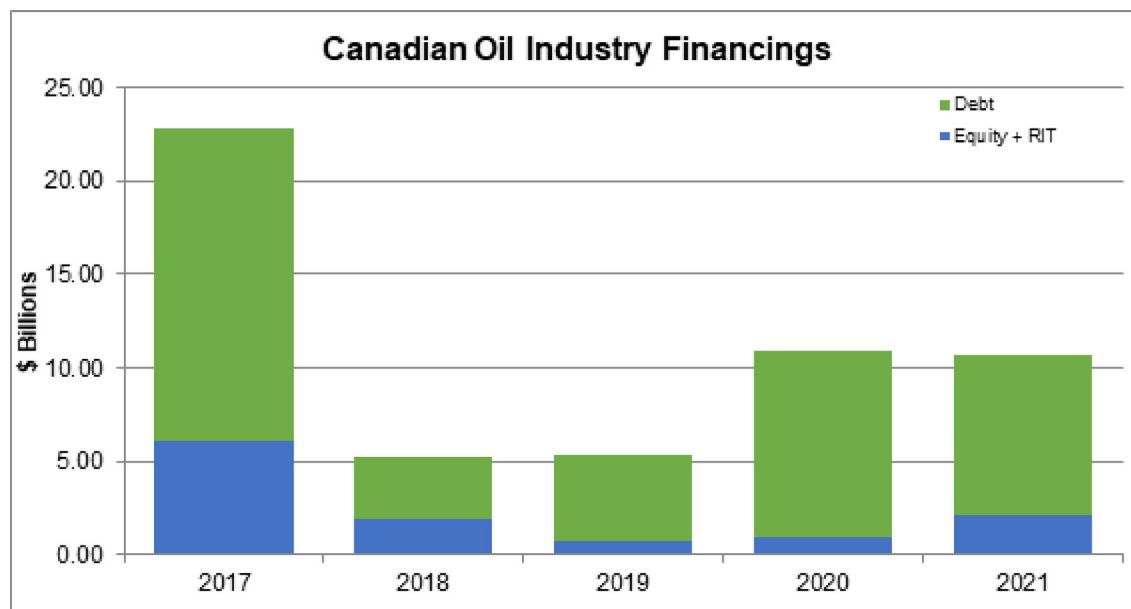
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The total amount of capital raised in the Canadian oil and natural gas industry in 2021 decreased slightly to \$10.8 billion from \$10.9 billion in 2020. In 2021, a total of \$2.2 billion in equity was raised which accounted for 20 per cent of the total capital raised, with debt financings of \$8.6 billion making up the remainder. In 2020, equity financings contributed to 9 per cent of the total capital raised with debt financings accounting for the remaining 91 per cent.



As previously mentioned, the total amount of equity raised in 2021 was \$2.2 billion, a 125 per cent increase from the \$966.5 million raised in 2020. The total number of equity issues increased to 138 from 103, a 34 per cent increase. The average size of equity financings in 2021 increased to \$15.7 million from \$9.4 million in 2020.

Included in the equity category is \$79.7 million in flow-through equity raised during 2021, a jump of 526 per cent from the \$12.7 million in flow-through raised in 2020. In 2021, the number of flow-through equity issuances doubled to six from three in 2020.

PrairieSky Royalty Ltd. completed the largest equity financing in November through a bought-deal offering of 17,169,500 common shares for total proceeds of \$230.1 million, which included the exercise in full of the over-allotment option of 2,239,500 common shares. The proceeds were used to partially fund PrairieSky's \$728.0 million acquisition of assets from **Heritage Royalty Resource Corp.**

The second and third largest equity financings in 2021 were completed by **Topaz Energy Corp.** In May, Topaz raised \$201.3 million through a bought-deal financing of 14,123,150 common shares, which included the exercise in full of the over-allotment option of 1,842,150 common shares. The financing was announced concurrently with Topaz's \$245.0 million acquisition of a newly created gross overriding royalty interest ("GORR") in northeastern British Columbia from **Tourmaline Oil Corp.** and GORR interests in the Marten Hills area of Alberta from **Cenovus Energy Inc.** for \$102.0 million. Topaz, concurrent with the bought-deal financing in May, also closed a private placement equity offering for approximately \$3.0 million.

In October, Topaz completed a bought-deal financing, raising \$173.1 million through the issuance of 10,120,000 common shares including 1,320,000 common shares pursuant to the exercise in full of the over-allotment option. The October financing was announced concurrent with the acquisition of a newly created 5 per cent GORR on **Whitecap Resources Inc.**'s working interest in the Weyburn Unit. Topaz, concurrent with the bought-deal financing in October, also closed a private placement equity offering for \$4.3 million.

The debt category described herein is comprised of straight and convertible debt. There were 36 debt financings in 2021, up from 31 in 2020. As with previous years, the majority of the debt issues in 2021 were straight debt, accounting for 99 per cent of the total debt issued. The total amount of straight debt issued in 2021 was \$8.5 billion, down 14 per cent from the \$9.9 billion raised in 2020. The amount of convertible debt raised in 2021 increased to \$93.8 million from \$2.9 million in 2020.

Cenovus completed two debt issues in September for total proceeds of approximately \$1.6 billion. Cenovus issued \$949.6 million in 3.75 per cent unsecured notes due in 2052 and \$633.1 million in 2.65 per cent senior unsecured notes due in 2032. The \$949.6 million debt financing was the largest financing in 2021. Proceeds from the offerings were used for general corporate purposes.

Suncor Energy Inc. raised approximately \$1.4 billion through two debt offerings in March. Suncor closed a senior unsecured note offering for \$947.8 million with a 30-year term and a coupon rate of 3.75 per cent and a senior unsecured medium-term note offering for \$500.0 million with a 30-year term and a coupon rate of 3.95 per cent. The \$947.8 million debt financing was the second-largest financing in 2021. Proceeds from the offerings were used towards the repayment of commercial paper and for general corporate purposes.

The largest convertible debt financing in 2021 was done by **Paramount Resources Ltd.**, which raised \$35.0 million in January through the issuance of senior unsecured convertible debentures. The convertible debentures mature on January 31, 2024, bear interest at 7.50 per cent per annum payable monthly in arrears and are convertible by the holder into shares of Paramount at any time prior to January 31, 2024, at a conversion price of \$6.72 per share prior to January 31, 2022, \$7.33 per share on or after January 31, 2022, and prior to January 31, 2023, and \$7.94 per share on or after January 31, 2023. The convertible debt financing was announced concurrently with amendments to Paramount's senior secured revolving bank credit facility.

We are optimistic we will continue to see capital coming into the industry through 2022; however, as we have been forecasting over the last number of years, capital markets are likely to remain restricted and selective by primarily supporting larger publicly-traded entities in 2022. In addition, we forecast we will

continue to see debt financings outweigh equity financings in 2022, as was illustrated by **Tamarack Valley Energy Ltd.** earlier this month completing the issuance of \$200.0 million in senior unsecured sustainability-linked notes due in May 2027 bearing interest at a rate of 7.25 per cent per annum, subject to certain sustainability performance targets.

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