

## Recent Debt And Equity Financings Tied To Acquisitions

[dobenergy.com/news/headlines/2024/06/26/recent-debt-and-equity-financings-tied-to-acquisit](https://www.dobenergy.com/news/headlines/2024/06/26/recent-debt-and-equity-financings-tied-to-acquisit)

Ben Rye, Sayer Energy Advisors



In the first quarter of 2024 the total amount of debt and equity financings completed by Canadian oil and natural gas E&P companies was only \$255.0 million, down 67 per cent from the \$776.0 million raised in the first quarter of 2023.

Recently, however, we have seen a number of debt and equity financings announced by both publicly-traded and privately-held oil and natural gas companies, concurrent with an acquisition.

Earlier this week, publicly-held **Advantage Energy Ltd.** announced the closing of the acquisition of certain Charlie Lake and Montney assets from a private oil and natural gas company for \$445.0 million.

The acquisition was partially funded by a previously closed bought deal equity financing whereby Advantage issued 5,910,000 subscription receipts at a price of \$11.00 per subscription receipt for gross proceeds of \$65.0 million and 5.0 per cent extendible convertible unsecured subordinated debentures at a price of \$1,000 per debenture for aggregate gross proceeds of approximately \$143.8 million including the over-allotment. The remainder of the acquisition was funded by Advantage's previously announced upsized \$650.0 million revolving credit facility.

The assets acquired are located in the Glacier, Gordondale, Progress and Valhalla areas of Alberta with approximately 14,100 boe/d (53 per cent oil and NGLs) of production. The assets also include significant infrastructure and drilling inventory with 163 net sections of Charlie Lake rights and 70 net sections of Montney lands which are contiguous with Advantage's existing core areas.

In late May, privately-held **Fiddlehead Resources Corp.** announced that it entered into a definitive agreement for the acquisition of assets from a senior Canadian producer for total proceeds of \$22.5 million.

As part of the transaction, Fiddlehead announced it had entered into a private placement offering of subscription receipts at a price of \$0.20 per subscription receipt for minimum aggregate gross proceeds of \$10.0 million. The purchase price is expected to be satisfied through a combination of the proceeds of the subscription receipt offering and a \$15.0 million credit facility from a private lender.

The assets consist of approximately 1,750 boe/d (68 per cent natural gas) of production and are located in the south Ferrier and Strachan areas of Alberta.

On June 14, 2024, publicly-traded **Saturn Oil & Gas Inc.** announced the closing of the acquisition of assets in southeastern and southwestern Saskatchewan from **Veren Inc.** for approximately \$525.0 million. The assets include approximately 13,000 boe/d (96 per cent liquids) of production and are located in the Flat Lake and Battrum areas of Saskatchewan.

Concurrent with the closing of the acquisition, Saturn also completed an offering of 9.625 per cent senior secured second lien notes for total proceeds of approximately \$893.3 million (US\$650.0 million). In mid-May, Saturn also closed a \$100.0 million bought deal subscription receipt financing with each subscription receipt converting into one common share of Saturn upon completion of the acquisition.

On June 19, 2024, Veren also announced an offering of approximately \$1.0 billion aggregate principal amount of senior unsecured notes, consisting of \$550.0 million of 4.968 per cent five-year notes priced at par and due June 2029, and \$450.0 million of 5.503 per cent 10-year notes priced at par and due June 2034. The Veren offering is not linked to any transaction, however Veren has recently completed several transformative transactions, including the sale of certain non-core assets to Saturn (mentioned above) and also completed a name change from **Crescent Point Energy Corp.** Veren intends to use the proceeds of the offering to repay existing indebtedness, including fully retiring its bank term loan.

In the first quarter of 2024 there were no concurrent financings announced as part of an acquisition. In the fourth quarter of 2023, the two largest transactions both had concurrent financings. Veren acquired publicly-held **Hammerhead Energy Inc.** for approximately \$2.7 billion. Veren financed a portion of the acquisition through a \$500.0 million bought deal equity financing at a price of \$10.30 per share. Hammerhead's main producing properties were located in the Gold Creek and Karr areas of Alberta. Veren identified 800 net Montney drilling locations on the Hammerhead lands. With this acquisition, Veren became the seventh largest E&P company in Canada with over 200,000 boe/d (65 per cent oil and liquids) of production.

Also in the fourth quarter of 2023, **Suncor Energy Inc.** acquired **TotalEnergies EP Canada Ltd.** for approximately \$1.5 billion. Suncor financed the acquisition of TotalEnergies EP Canada through an offering of \$1.5 billion in aggregate principal amount of senior unsecured notes. The offering was comprised of two tranches, consisting of \$1.0 billion principal amount of Series 9 Medium Term Notes due on Nov. 17, 2025, with a coupon rate of 5.60 per cent and \$500.0 million principal amount of Series 10 Medium Term Notes due on Nov. 17, 2026, with a coupon rate of 5.40 per cent.

These recent financings illustrate that there continues to be investor interest in Canadian oil and natural gas producers. With continued strong oil prices coupled with a recent uptick in M&A activity, this could lead to more concurrent financings announced as part of an acquisition.

### Follow topics in this article

---