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### M&A Sayer's Outlook For 2025 M&A Activity



Every January, Sayer Energy Advisors publishes its forecast for mergers and acquisitions (“M&A”) activity in the Canadian upstream oil and natural gas industry for the upcoming year. Our outlook begins with a review of our predictions from last January and points to where we think things will go this year.

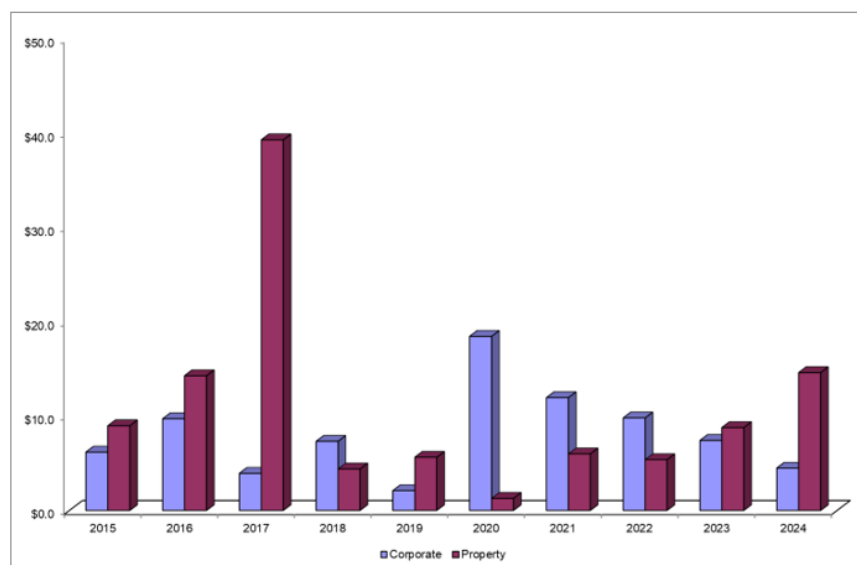
In 2024, the total value of M&A activity in the Canadian oilpatch was approximately \$19.4 billion. This is up significantly from the \$16.5 billion in 2023. In January 2024, we predicted that M&A activity in 2024 would be lower than what we saw in 2023 and forecasted that it would be in the +/- \$12.0 billion range. We also predicted that corporate deals would account for a high percentage of the total transaction value. Approximately 23 per cent, or \$4.5 billion of the total value in 2024 came from corporate transactions. In 2023, 45 per cent of the total value was from corporate transactions.

There were four deals in 2024 valued at over \$1 billion, which made up \$14.5 billion, or approximately 75 per cent of the total transaction value for the year. All four of these transactions took place in the second half of 2024. Of these four transactions, two deals were corporate transactions (accounting for only \$2.4 billion, or 20 per cent), while the other two deals were property transactions, making up the remaining \$12.1 billion.

The largest of these four transactions was **Canadian Natural Resources Limited** acquiring assets from **Chevron Canada Limited** for \$8.8 billion. The other multibillion-dollar asset deal announced last year was **Ovintiv Inc.**'s pending acquisition of assets from **Paramount Resources Ltd.** for approximately \$3.3 billion.

The largest corporate transactions in 2024 were **Tourmaline Oil Corp.**'s purchase of **Crew Energy Inc.** for \$1.1 billion and **Vermilion Energy Inc.**'s pending take-over of **Westbrick Energy Ltd.** for just under \$1.1 billion. Tourmaline extended its streak as a billion-dollar purchaser from 2023, when it acquired **Bonavista Energy Corporation** for approximately \$1.5 billion.

## Total Yearly Value of M&A Activity (2015-2024) (\$billions)



A persistent theme in previous forecasts has been uncertainty and frothiness in the Canadian oil and natural gas industry leading to restricted M&A activity, which Sayer still expects to continue throughout 2025. This unease has been caused by a number of factors including: the continued political issues both in Canada and internationally, the recent threat of tariffs to be imposed by the new U.S. government and the effect it will have on commodity prices, as well as continuous environmental issues.

*We predict M&A activity in 2025 to be lower than what we saw in 2024; we forecast in the +/- \$15 billion range. We expect to see corporate deals account for a higher percentage of the transaction value than it has for the last several years.*

Our prediction of not expecting to see many multibillion-dollar natural gas transactions taking place in 2024 was correct, as there were three natural gas deals valued at over \$1 billion. Ovintiv's aforementioned pending purchase of assets from Paramount for \$3.3 billion, the pending acquisition of Westbrick by Vermilion for approximately \$1.1 billion and Tourmaline's purchase of Crew for \$1.1 billion were all announced in the second half of 2024. The assets being acquired by Ovintiv include approximately 70,000 boe/d (70 per cent natural gas) of production in the Alberta Montney. Westbrick's main asset is in the Alberta Deep Basin with approximately 50,000 boe/d (75 per cent natural gas) of production. Crew's properties were located in the Groundbirch and Septimus areas of northeastern British Columbia with approximately 29,000 boe/d (70 per cent natural gas) of production. *Our prediction stands for 2025. We do not expect to see many multibillion-dollar natural gas transactions occurring in 2025.*

We predicted the number of insolvencies in 2024 to be consistent with what we saw in 2023 and 2022. In 2024, there were 12 insolvencies, compared to five insolvencies in 2023 and four in 2022 and 11 in 2021. *We expect to see a similar number of insolvencies in 2025, as we did last year, in part due to the continued weak natural gas prices.*

We were correct in predicting that there would be very few, if any, hostile takeover attempts in 2024. There were no hostile takeover attempts in 2024. *We predict the same for hostile takeover attempts in 2025.*

We predicted that 2024 may see some multibillion-dollar oilsands transactions. Our prediction was accurate, as per the previously mentioned Canadian Natural acquisition of assets from Chevron Canada for \$8.8 billion. The deal involved the sale of Chevron's 20 per cent working interest in the Athabasca Oil Sands Project. *We predict*

*that we may see minor oilsands assets hit the market and we may see a few multibillion-dollar transactions in this sector in 2025, similar to what we witnessed in 2022, 2023 and 2024.*

Over the last several years there has been an issue with the amount of capital entering into the industry through financings, as well as a lack of investor interest through public markets. We predicted that, with higher interest rates, we would not see as much debt financings in 2024 as we did in 2023.

Capital raised in 2024 including equity and debt issues totaled approximately \$8.3 billion. This is down seven per cent from the \$8.9 billion raised in 2023. Of the total \$8.3 billion in capital raised in 2024, \$7.2 billion consisted of debt financings with the remainder in equity. *Considering the numerous interest rate cuts seen in 2024, we believe we will see more debt financings versus equity financings occurring, similar to what we witnessed in 2023.*

In our forecast last year, we predicted that share buy-backs and increased dividends would continue to be a common occurrence in 2024, as was the case in 2023. This trend was a very common theme in the Canadian oil and natural gas industry in 2024. *Echoing our prediction from last year, we believe this trend of share buy-backs as well as increased dividends to shareholders will continue in 2025.*

Despite the ongoing uncertainty from continued political issues both in Canada and internationally, we continue to have a positive view that strong oil prices will bring back investor interest along with some possible equity into the Canadian upstream oil and natural gas industry. If we do continue to see oil prices hold in 2025 and natural gas prices increase, we believe that this will be the best scenario for a robust M&A market.