

July 2021 – CSUR Technical Webinar #2

MAD for Canadian Energy: What's driving MA&D in the Oil Patch?



MAD FOR CANADIAN ENERGY: WHAT'S DRIVING MA&D IN THE OIL PATCH?

PRESENTED BY
STEVE KEHOE, M.E.SC., P.ENG., DIRECTOR, A&D ADVISORY - ENERGY, BMO CAPITAL MARKETS

With continued and increased bustle within the Canadian Energy industry of late, CSUR invited Steve Kehoe from BMO Capital Markets to expand & deliberate on the various activities that have happened in the recent past and where the industry may be headed in the near term. In his role as Director, A&D Advisory – Energy, for his organization, Steve was able to provide a synopsis of the various mergers, acquisitions, and divestitures that have closed and how they have resulted in leaner and healthier entities with more favorable cost structures here in Canada & right across North America.

The speaker commenced with a 2021 year to date summary of all the significant deals right here in Western Canada. Of the 5 deals noted, he indicated that 2 of those were valued at over \$1B each. He suggested that while companies are still being cautious, more deals are expected as the conditions are ripe for consolidation and mergers. Although there are many factors, both local & global, that are influencing commodity pricing, the general favorable trend of late can be related directly to the economic recovery following the numbing effects of the pandemic over the past 16 months or so. He also indicated that the forecast for global demand over the next few years appears strong, which should result in a favorable price index for both oil and gas. In Canada, the energy sector has been the top performing sector so far in 2021, in spite of the various ongoing infrastructure and market access challenges. However, it

appears that energy companies are well positioned and have access to capital as they re-establish their respective corporate policies to include de-carbonization and ESG (Environment, Social & Governance) protocols.

In going through specific plays here in Western Canada, the speaker touched on the metrics of three of the most active plays: Clearwater, Duvernay and Montney. Each of them provides significant upside for operating companies already active in these plays, with potentially thousands of new drill locations available if the current commodity price levels continue and capital is accessible. In summary, the speaker indicated that in their analysis, the main reasons for optimism and positive outlook can be attributed to the following: favorable commodity price fundamentals & maintaining shareholder returns, access to operating capital & exercising capital discipline, leveraging their ongoing position & scale in the various plays, and incorporating a corporate ESG mandate & culture.

SUMMARY

The Canada and the U.S. energy space has observed a marked increase in mergers, acquisitions and divestitures since the beginning of 2020. There are many influencing factors driving this activity, not simply the sheer lack of MA&D activity in preceding years. We discuss some of these dynamics, showcase the impact on several Canadian plays, and discuss how the oil & gas space is evolving.

PRESENTER: Steve Kehoe, M.E.Sc., P.Eng., Director, A&D Advisory - Energy, BMO Capital Markets

Steve has worked in the energy industry for more than 15 years, beginning in production and exploitation roles before moving into energy banking. Since 2010, he has worked in A&D Advisory at BMO Capital Markets evaluating energy assets and executing transactions with valuations ranging from less than \$100MM to multi-billions. Steve has a B.E.Sc. and M.E.Sc in Mechanical Engineering from Western University, is a Fellow at the Energy Futures Lab, and was also a commercial pilot.




TECHNICAL WEBINAR

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presented by Steve Kehoe, Director - BMO Capital Markets

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