



3 Companies That Will Help Consolidate Canada's Energy Patch

Description

After months of inactivity, it now seems that Canada's energy patch is ripe for consolidation. Despite a recent upswing, oil prices continue to languish around US\$50 per barrel, and as a result some companies simply need a way out. Meanwhile, stronger players are licking their chops at the prospect of cheap assets.

Suncor Energy Inc. has already fired the first shot, with its \$4.3 billion offer for **Canadian Oil Sands Ltd.** We should expect to see other dominoes to fall very soon.

So, who exactly will be the buyers in this marketplace? We take a look at three possibilities below.

1. Imperial Oil

Imperial Oil Limited ([TSX:IMO](#))([NYSE:IMO](#)) is probably the company most worth keeping an eye on. The company has a very strong balance sheet, as well as a big refining and marketing business, which puts it in a tremendous position of strength. Imperial also holds a big stake in the Syncrude joint venture, so the company may want to put in a competing bid for Canadian Oil Sands.

Rumour has it that Imperial is more interested in thermal assets, which would make it a prime candidate to acquire a company like **MEG Energy Inc.** In any case, Imperial is likely to buy something, so we'll just have to wait and see.

2. Canadian Natural Resources

Canadian Natural Resources Ltd. ([TSX:CNQ](#))([NYSE:CNQ](#)) is well known for investing against the cycle. It's how the company emerged from practically nowhere 15 years ago to become one of Canada's biggest energy companies.

A prime example of this occurred last year, when CNRL paid \$3.1 billion for some natural gas assets from **Devon Energy**. At the time, the market for natural gas was very weak, which allowed CNRL to step in with a low-ball offer.

CNRL doesn't have quite as strong a balance sheet as Imperial, but it does have the firepower to make an acquisition. And if history is any guide, the company will not hold back.

3. Brookfield

The energy slump has not gone unnoticed by private equity companies. Many are scouring the North American market for cheap assets to scoop up. **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) is one such example.

But you should be careful—Brookfield uses different tactics when performing takeovers. Rather than pay a premium to shareholders, the company prefers to buy a target's debt instead, which then often turns into equity ownership.

This process is not good for the target company's shareholders, but it is very good for Brookfield. It's something to think about before you buy a debt-ridden energy company in the hopes it will get bought out.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSEMKT:IMO (Imperial Oil Limited)
4. TSX:BN (Brookfield)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:IMO (Imperial Oil Limited)

Category

1. Energy Stocks
2. Investing

Date

2025/08/24

Date Created

2015/10/07

Author

bensinclair

default watermark