



1 Top TSX Energy Play to Consider Today

Description

Canadian merger and acquisition (M&A) activity is getting serious right now.

In addition to other high-profile mega-cap mergers, smaller Canadian companies are merging at a relatively rapid pace. These mergers may fly under the radar in this environment, but some are equally intriguing.

One such deal I have my eye on right now is the **Arc Resources** ([TSX:ARX](#)) and **Seven Generations Energy** (TSX:VII) merger. Indeed, I think this is an interesting play to consider right now.

Shareholders approve the merger deal

[Arc Resources](#) and Seven Generations in February announced an all-stock, debt-inclusive, \$8.1 billion merger. So, in a way, this deal isn't that small at all. Indeed, this deal stands to create what will become Canada's sixth-largest oil and gas company.

In more good news, recent reports showed that 96% of Arc shareholders and 99% of Seven Generations shareholders voted in favour of the deal.

Accordingly, there's anticipation this deal will close soon. The deal would result in ownership of the combined entity being relatively split down the middle by both Arc and Seven Generations shareholders. The newly combined Arc Resources is set to be headquartered in Calgary.

What does this deal mean for investors?

The combined entity will focus on improving its fundamentals and create synergies following the deal. All mergers stipulate some sort of synergistic value creation. However, this deal's details are intriguing.

Arc will focus on reducing debt levels to 1-1.5-times net debt to annualized funds from operations upon the deal closing. Additionally, Arc expects its cost savings to amount to \$110 million per year as per the

deal. It's likely that the company will continue to pay a \$0.06-per-share quarterly dividend to the investors.

With a strong foothold in the Montney oil-producing region, the firm will be looking to invest in a highly prospective Attachie area, driving long-term growth potential for shareholders.

The newly combined entity is expected to produce over 1.2 billion cubic feet of natural gas, 138,000 barrels of liquid-like condensate, and 340,000 barrels of oil per day. With exceptional ESG commitments and strategic foresight, I expect the combined management teams should continue developing strategies to maximize shareholder value.

Bottom line

Patient investors looking for capital appreciation will definitely benefit from Arc's experience and diverse assets for years to come. Analysts are still adamant that this firm's reserves are not valued at a fair price, and the near-term upside of its core development areas is de-risked.

Accordingly, this deal looks to be an intriguing one right now for energy investors. I expect to see shares repriced higher over the medium term, as the market assesses the combined entity's growth potential in this higher oil price environment.

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