



## M&A Activity Picking Up in Canada's Energy Sector Highlights Bullish Outlook

### Description

M&A activity is picking up in the Canadian energy sector today.

Following a disastrous 2020, the energy sector is once again primed for deal making. Companies are building up again, as oil prices reach profitable margins. As a reopening play (and market hedge), oil is on quite the run. Indeed, investors are now looking to take advantage of what appears to be a full-fledged bull market in oil right now.

For those bullish on commodities like oil, **Whitecap Resources** ([TSX:WCP](#)) an [intriguing option](#) following its recent acquisition.

### The merger Whitecap investors are talking about

Whitecap recently announced a \$300 million bid in cash and shares to buy its rival **Kicking Horse Oil and Gas**, an indirect subsidiary of Quantum Energy Partners.

This deal is quite interesting and brings a myriad of opportunities for both parties involved. Kicking Horse produces 8,000 barrels of oil equivalent per day, which Whitecap reports will be bumped up and maintained at approximately 18,500 boe/d over the next year and a half. This deal is expected to close in May of this year.

Whitecap revealed that it would issue 34.5 million common shares and pay \$56 million in cash. It says that it will spend \$75 million this year to complete the drilling of at least six more wells on its newly acquired lands.

The Kicking Horse merger follows two major acquisitions made in January and February. Namely, the company acquired TORC Oil & Gas and NAL Resources in deals that are expected to further boost its top-line growth.

## What this deal means for investors

Investors should dip their toes in commodities in general right now for one significant reason: the U.S. dollar has a negative correlation with commodity prices. Thus, commodities such as oil provide a nice hedge to investors overly exposed to the U.S. dollar. With stimulus likely to continue for some time, I expect this environment to remain for some time.

For Whitecap in particular, boosting its production potential is bullish in this environment. I think these deals cement the company's position in its core market and position Whitecap shareholders for growth over the long term.

As a result of these acquisitions and EOR operations in Saskatchewan, Whitecap revealed that it expected to produce close to 95,000 boe/d in the first quarter of 2021. When compared to previous projections, this represents a 4% higher target.

This company also projects to produce an average of between 102,000 and 103,000 boe/d this year. Based on a US\$60 WTI oil price benchmark, ramped-up production will increase free cash flow significantly.

## Bottom line

Whitecap was trading at the \$1.5 mark just a year ago, which has now ballooned up to the \$6 mark. This rapid rise is a result not only of improving oil prices, but the company's asset quality and acquisition history of late.

Indeed, Whitecap is an intriguing play in the Canadian energy sector. For those looking for companies with high leverage to oil prices, Whitecap is one way to play this space today.

### CATEGORY

1. Energy Stocks
2. Investing

### POST TAG

1. dividend
2. dividend stock
3. energy
4. growth
5. growth stocks
6. investing
7. market
8. Stocks

### TICKERS GLOBAL

1. TSX:WCP (Whitecap Resources Inc.)

## **PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

## **Category**

1. Energy Stocks
2. Investing

## **Tags**

1. dividend
2. dividend stock
3. energy
4. growth
5. growth stocks
6. investing
7. market
8. Stocks

## **Date**

2025/08/24

## **Date Created**

2021/04/18

## **Author**

chrismacdonald

default watermark

default watermark