

Why Energy & Commodities

Christiaan ter Keurs, Financial Advisor





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Christiaan ter Keurs has been advising and helping investors realize their financial objectives over the past 18 years. His sophisticated knowledge of economics and financial markets provides his clients with the capability to understand how world events affect their investments.

He is dedicated to creating and implementing comprehensive financial roadmaps that allow clients to accumulate, manage and transfer their wealth. His broad network of global connections also makes him an ideal contact for entrepreneurs and business owners exploring venture opportunities.

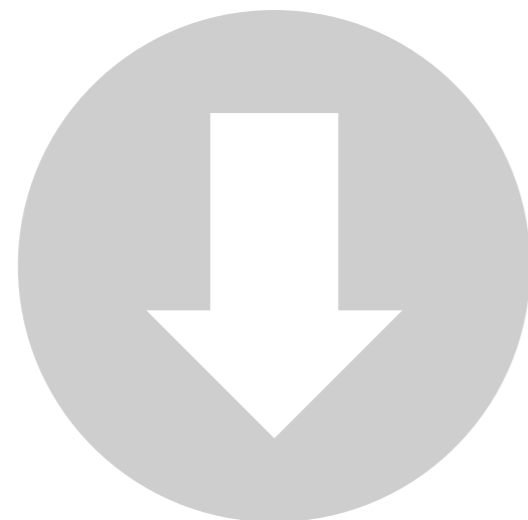
Commodities

Why the timing is right



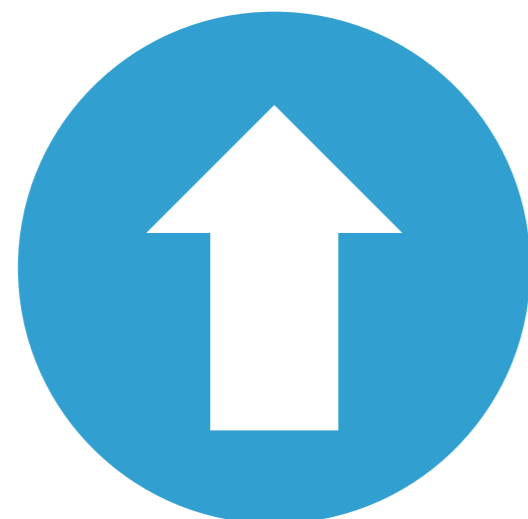
Macro Economic

- 3.7 billion people growing towards middle class
- Negative real interest rates
- Declining purchasing power of money



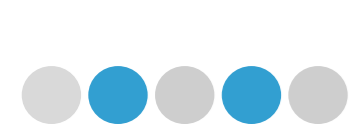
Mining

- Mine supply is decreasing (large mines are closing)
- Global infrastructure spending to reach \$57 trillion by 2030
- Senior producers cash flow multiple at multi decade low



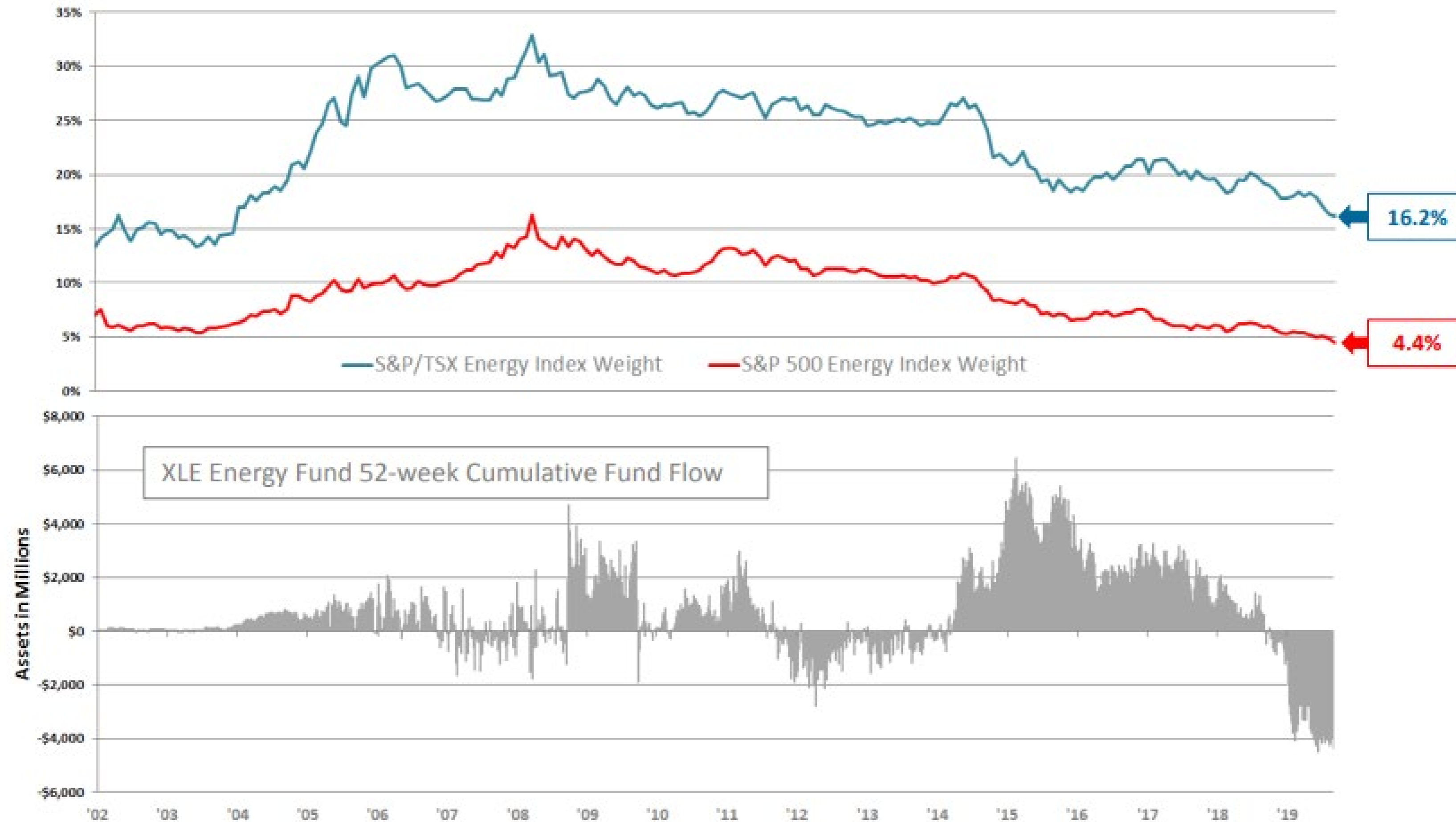
Oil and Gas

- Oil demand continues to grow annually between 1.2 to 1.8 million barrels per day
- Globally \$300 billion of oil investments have been cut
- OPEC “\$10 Trillion Investment needed to avoid Massive Price Spike”

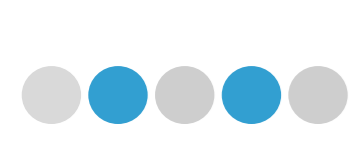


Energy Sentiment at Extreme Bearish Levels

Energy funds flow

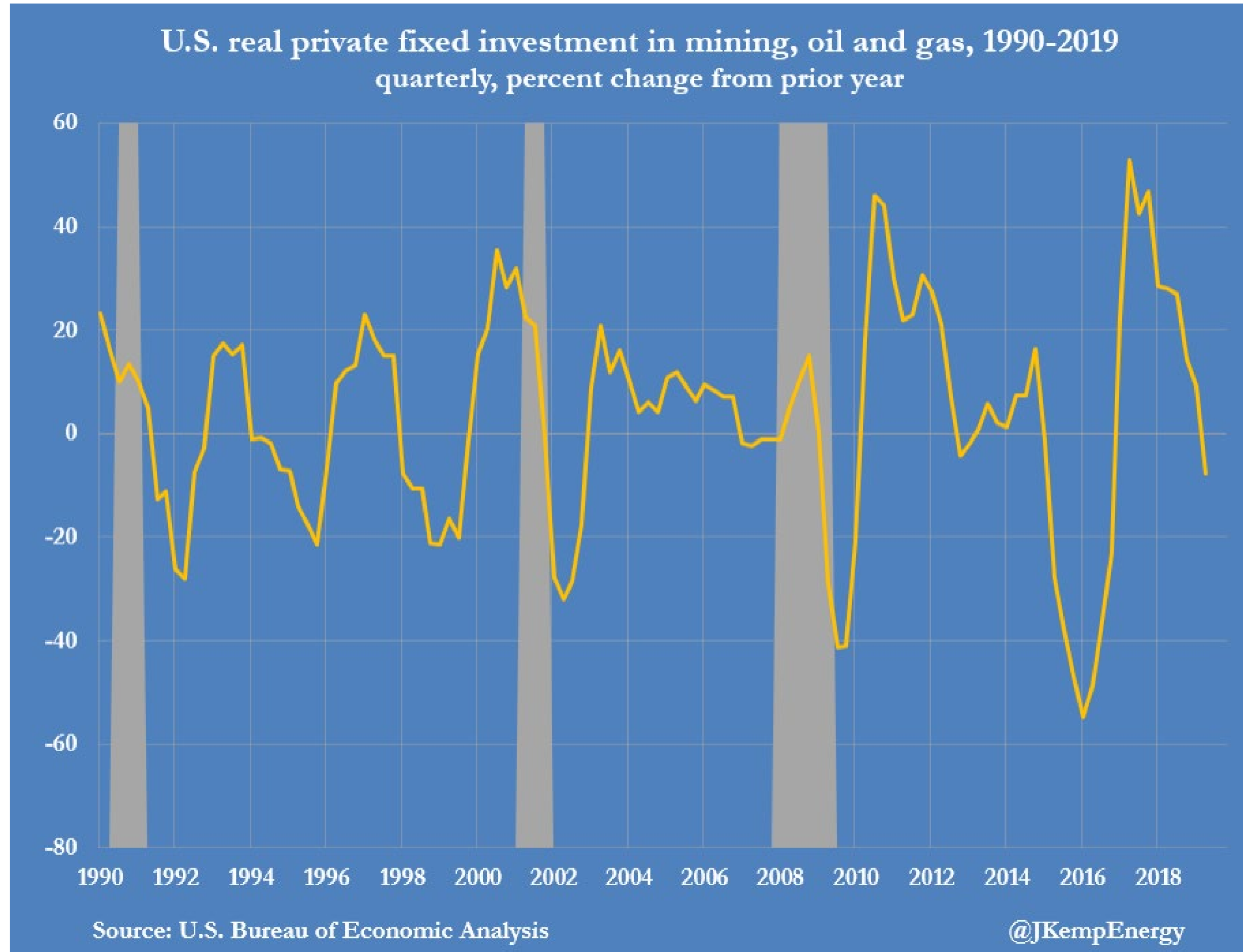


Source: Bloomberg, as of August 31, 2019.

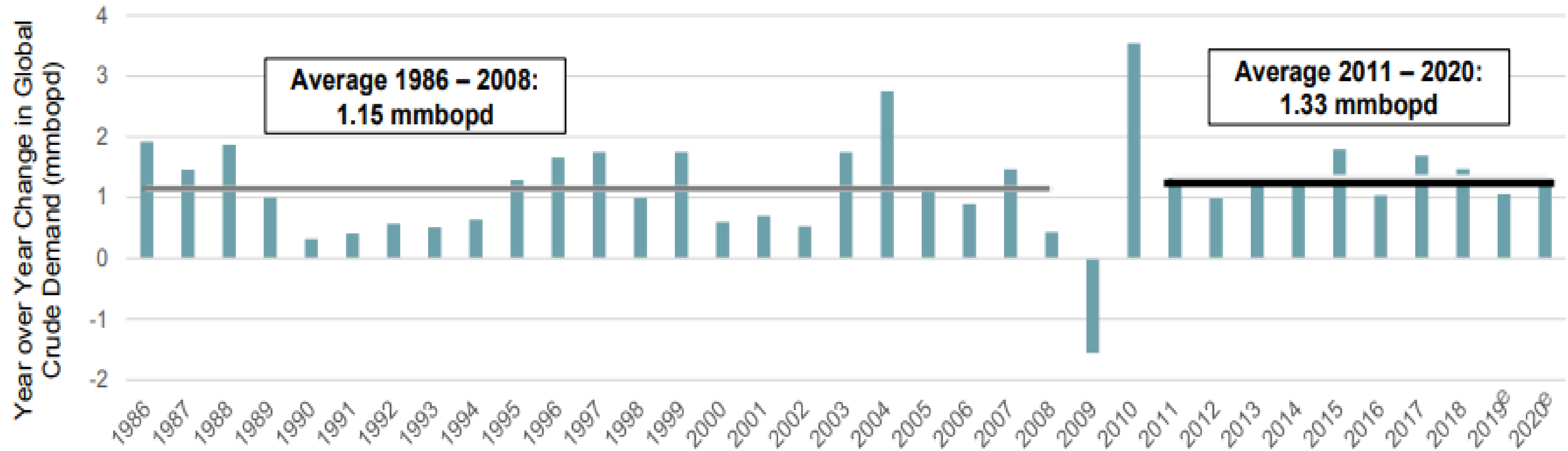


Energy Sentiment at Extreme Bearish Levels

Energy funds flow



Linear Growth in Global Oil Demand



Source: Historical estimates are collected from iea. 2019 and 2020 estimates based on averages from OPEC, EIA, and iea, as of September 2019.

●●●● Global Decline Rate of Oil



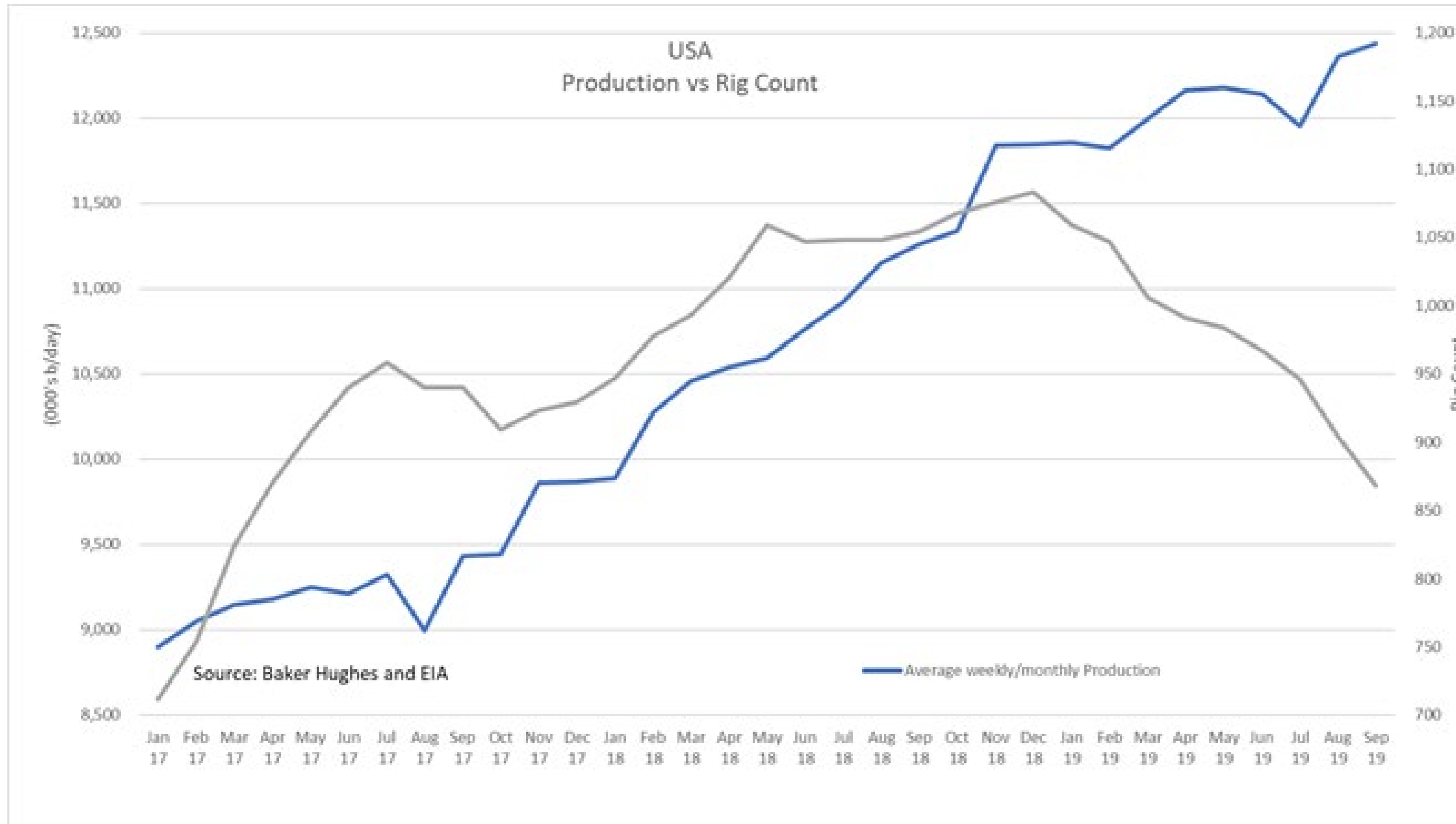
Based on an analysis of the production history of more than 1,600 conventional fields between 1950 and 2012, the IEA has estimated decline rates for a range of fields.

For fields which have passed their peak, observed output declined on average by 7% per year. Without investment, the production from a mature oil field would decline by around 9% per year according to the IEA.

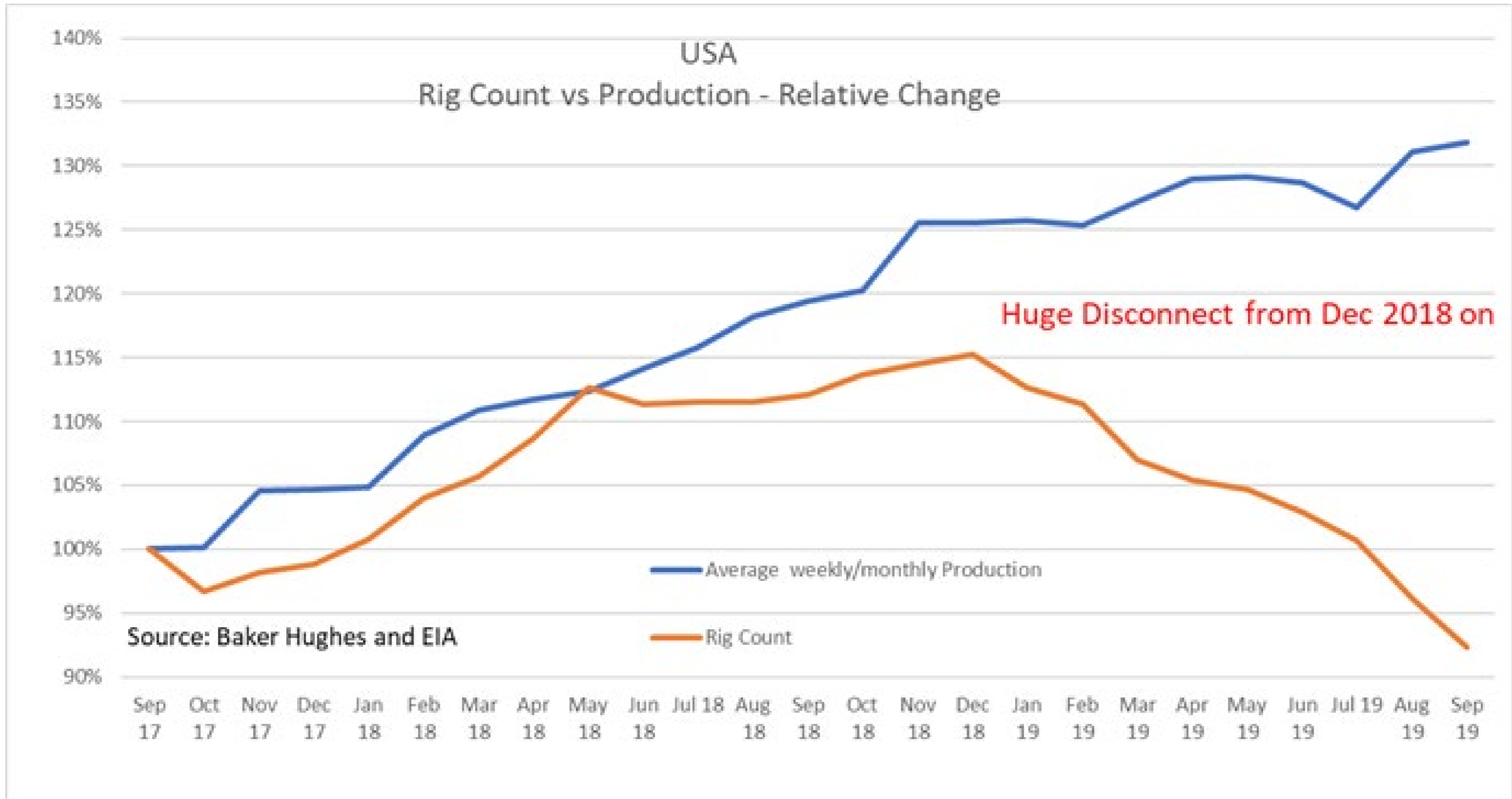
Long term production projects have been replaced by short term (up to 80% decline rates) shale projects.

To maintain current status quo the world must find new production of 8 to 9 million barrels per day every year.

●●●● Drilling Activity...Defying The Laws of Gravity



●●●● Drilling Activity



World Demand Driver

International Monetary Fund reports 2019 growth in emerging market and developing economies is expected to be 4.5%.



Global Oil Demand

Global Oil Demand (2018-2020)

(million barrels per day)*

	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020
Africa	4.3	4.3	4.2	4.3	4.3	4.4	4.4	4.2	4.4	4.4	4.5	4.4	4.3	4.4	4.4
Americas	31.6	31.7	32.3	32.1	31.9	31.4	31.9	32.6	32.3	32.1	31.6	32.5	33.1	32.7	32.5
Asia/Pacific	35.0	34.7	34.3	35.1	34.8	35.4	35.2	35.2	36.1	35.4	36.0	35.9	35.9	37.0	36.2
Europe	14.8	15.0	15.5	14.9	15.1	14.7	15.2	15.6	15.1	15.2	14.7	15.3	15.7	15.2	15.2
FSU	4.5	4.6	4.9	4.8	4.7	4.7	4.8	5.0	5.0	4.9	4.8	4.8	5.1	5.0	4.9
Middle East	8.2	8.5	8.8	8.2	8.4	8.2	8.6	8.9	8.3	8.5	8.2	8.6	8.9	8.3	8.5
World	98.5	98.8	99.9	99.4	99.2	98.7	100.0	101.4	101.2	100.3	99.8	101.6	102.9	102.7	101.7
Annual Chg (%)	2.0	0.7	1.5	0.7	1.2	0.3	1.2	1.5	1.8	1.2	1.1	1.5	1.5	1.5	1.4
Annual Chg (mb/d)	1.9	0.7	1.5	0.7	1.2	0.2	1.2	1.5	1.8	1.2	1.1	1.5	1.5	1.5	1.4
Changes from last OMR (mb/d)	0.0	0.0	0.0	0.0	0.0	-0.4	-0.3	0.2	0.1	-0.1					

* Including biofuels

Source: OPEC



Global Oil Supply

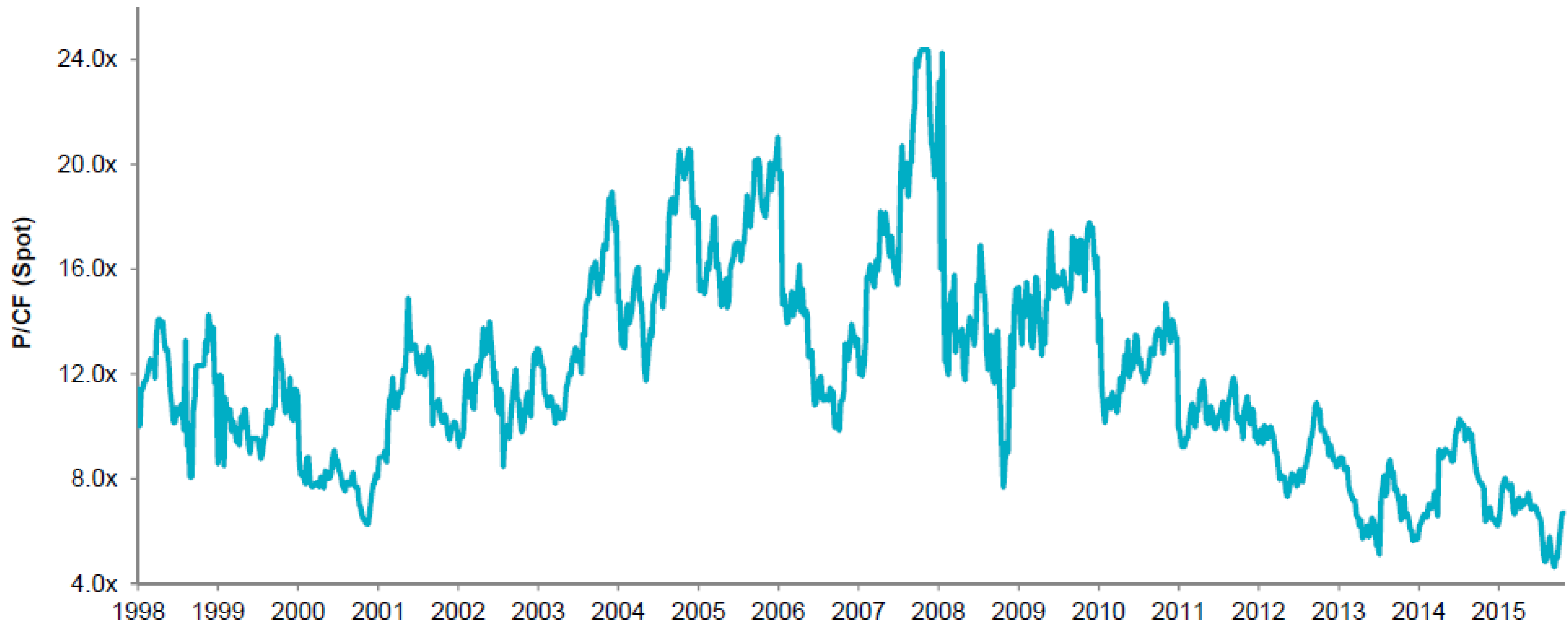
Table 11 - 1: World oil demand and supply balance, mb/d

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>1Q19</u>	<u>2Q19</u>	<u>3Q19</u>	<u>4Q19</u>	<u>2019</u>	<u>1Q20</u>	<u>2Q20</u>	<u>3Q20</u>	<u>4Q20</u>	<u>2020</u>
World demand													
OECD	47.00	47.54	47.93	47.65	47.51	48.50	48.44	48.03	47.73	47.57	48.56	48.52	48.10
Americas	24.89	25.07	25.55	25.21	25.66	26.08	26.02	25.75	25.43	25.84	26.24	26.19	25.93
Europe	13.98	14.32	14.31	13.97	14.18	14.68	14.30	14.28	13.92	14.15	14.66	14.28	14.25
Asia Pacific	8.14	8.15	8.08	8.47	7.67	7.73	8.12	8.00	8.39	7.58	7.66	8.05	7.92
DCs	31.56	32.13	32.62	32.97	32.93	33.37	33.07	33.09	33.54	33.50	34.00	33.72	33.69
FSU	4.63	4.70	4.82	4.75	4.74	5.02	5.11	4.91	4.83	4.81	5.11	5.19	4.99
Other Europe	0.70	0.72	0.74	0.75	0.71	0.75	0.84	0.76	0.76	0.72	0.76	0.85	0.77
China	11.80	12.32	12.71	12.63	13.19	12.98	13.43	13.06	12.91	13.50	13.28	13.77	13.37
(a) Total world demand	95.69	97.41	98.82	98.75	99.08	100.63	100.89	99.84	99.78	100.10	101.71	102.06	100.92
Non-OPEC supply													
OECD	24.85	25.69	28.26	29.29	29.64	30.12	31.02	30.02	31.30	31.42	31.90	32.46	31.77
Americas	20.58	21.48	24.02	25.01	25.56	25.91	26.56	25.76	26.79	27.07	27.48	27.76	27.28
Europe	3.85	3.82	3.83	3.84	3.60	3.73	3.95	3.78	3.98	3.83	3.85	4.13	3.95
Asia Pacific	0.42	0.39	0.41	0.43	0.48	0.49	0.51	0.48	0.54	0.53	0.56	0.56	0.55
DCs	13.53	13.39	13.47	13.43	13.47	13.73	13.86	13.62	13.85	13.86	13.87	14.04	13.91
FSU	13.85	14.05	14.29	14.55	14.16	14.07	14.28	14.26	14.33	14.43	14.35	14.63	14.43
Other Europe	0.13	0.13	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.11	0.11	0.11
China	4.09	3.98	4.02	4.10	4.13	4.05	4.10	4.09	4.11	4.07	4.07	4.12	4.09
Processing gains	2.19	2.22	2.25	2.28	2.28	2.28	2.28	2.28	2.33	2.33	2.33	2.33	2.33
Total non-OPEC supply	58.66	59.46	62.41	63.77	63.79	64.37	65.65	64.40	66.04	66.24	66.64	67.69	66.65
OPEC NGLs + non-conventional oils	4.58	4.64	4.76	4.80	4.82	4.87	4.86	4.84	4.87	4.87	4.87	4.87	4.87
(b) Total non-OPEC supply and OPEC NGLs	63.24	64.10	67.17	68.57	68.61	69.23	70.51	69.23	70.90	71.10	71.50	72.55	71.52
OPEC crude oil production (secondary sources)	32.21	32.01	31.86	30.48	29.97								
Total supply	95.45	96.11	99.04	99.05	98.58								

Source: OPEC

Canadian Energy at Historic Low Valuations

Price to Cash Flow Multiples for Senior Producers



Source: Bloomberg, Capital Markets, Bloomberg

●●●● Raymond James – USD\$92.50 Target

RJ&A Oil Price Forecast					
2018	Q1 18A	Q2 18A	Q3 18A	Q4 18A	2018A
RJ WTI	\$62.89	\$67.97	\$69.61	\$59.32	\$64.95
RJ Brent	\$66.97	\$74.55	\$75.26	\$68.10	\$71.22
2019	Q1 19A	Q2 19A	Q3 19E	Q4 19E	2019E
Old RJ WTI	\$52.00	\$65.00	\$70.00	\$75.00	\$65.50
RJ WTI	\$54.87	\$59.89	\$65.00	\$70.00	\$62.50
Old RJ Brent	\$62.00	\$73.00	\$78.00	\$83.00	\$74.00
RJ Brent	\$63.27	\$68.46	\$74.00	\$78.00	\$71.00
Brent-WTI Spread	\$8.39	\$8.57	\$9.00	\$8.00	\$8.50
2020	Q1 20E	Q2 20E	Q3 20E	Q4 20E	2020E
RJ WTI	\$85.00	\$97.50	\$95.00	\$92.50	\$92.50
RJ Brent	\$92.50	\$105.00	\$102.50	\$100.00	\$100.00
Brent-WTI Spread	\$7.50	\$7.50	\$7.50	\$7.50	\$7.50
2021 (+)	Long-Term Forecast				2021E+
RJ WTI					\$75.00
RJ Brent					\$80.00
Brent-WTI Spread					\$5.00

Source: Bloomberg, FactSet, Raymond James research

●●● Baytex Energy Valuations

2020 Cash Flow Projections using various oil prices											
Baytex							WTI US\$				
			\$50	\$55	\$60	\$65	\$70	\$75	\$80	\$85	\$90
	WCS	\$14	\$134	\$264	\$389	\$512	\$632	\$752	\$872	\$992	\$1,112
Adjusted Funds Flow in CAD\$ Millions	Differential	\$16	\$95	\$226	\$350	\$474	\$594	\$714	\$834	\$954	\$1,074
	USD/barrel	\$18	\$57	\$187	\$312	\$435	\$555	\$675	\$795	\$915	\$1,035
541 million shares outstanding		\$20	\$19	\$149	\$274	\$397	\$517	\$637	\$757	\$877	\$997

Source: Christiaan ter Keurs

●●● Crescent Point Energy Valuations

Crescent Point Energy 2019 production of 163,000bpd							WTI US\$			
			\$55	\$60	\$65	\$70	\$75	\$80	\$85	\$90
			350	550	750	950	1150	1350	1470	1590
Free Cash Flow in CAD\$ Millions										
550 million shares										

Source: Christiaan ter Keurs



Summary

Why Energy & Commodities?

- Diversification from traditional asset classes
- Historical store of value
- Global infrastructure spending to reach \$57 trillion by 2030

Why now?

- Five years into the bear market and debt has forced change in mining sector
- Energy & mining companies provide attractive valuations
- \$10 trillion of investment needed through 2040 to meet demand



Disclaimer

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