

REGIONAL AWARD

CANADA BEST INVESTMENT BANK

• RBC CAPITAL MARKETS

Sometimes a franchise is suited to a moment. And in an awards period that began with the catastrophe unfolding in Ukraine, ended with a meltdown in US regional banking, and was accompanied throughout by eye-watering rate hikes, clients had no shortage of demands of their investment banks.

One thing they needed was support – whether through credit, capital, research, trading or advice. But what they needed perhaps more than anything else was an investment bank that could make sense of the world for them.

“Clients needed banking partners that had differentiated insights into the market, and that meant a global platform across products, with a more holistic view of how the world was unfolding,” says Derek Neldner, chief executive of RBC Capital Markets, Canada’s best investment bank.

The macro environment obviously made some traditional measures of success in investment banking – deal volumes in particular – look meagre in comparison with some previous years. But Neldner doesn’t worry too much about that when he thinks about what success looks like.

“We can’t control the macro environment – last year was certainly less constructive than 2021,” he says. “But what we focus on is putting clients at the centre of what we do. How we support clients and our relative performance is what we can control.”

What RBC has – uniquely in Canada – is a top-10 global investment bank. It means that when a crisis like Ukraine upends energy markets and supply chains, the bank is able to respond with insight gleaned from its global network.

That its overall investment bank divisional revenues fell by just 4% in the awards period was remarkable considering activity levels and considering that its absolute revenues are about double the Canadian peer group average.

In M&A, the bank ranked third for

completed deals involving a Canadian party and it was the top-ranked domestic bank. It ranked top of all firms in announced deals.

The bank was an adviser to Ritchie Bros Auctioneers on its \$7.3 billion acquisition of US auto retailer IAA, a transaction that was far from simple given the interventions of an activist. It also advised Brookfield, the Canadian private equity firm, on its sale of Westinghouse Electric Company for \$7.9 billion.

There are years when Canadian activity is dominated by the energy and mining sectors, but RBC’s breadth of coverage and the way in which it has been investing in sector teams outside Canada shone through in its roster of deals in the awards period, whether in telecoms, technology or financial institutions.

Even healthcare – not a traditionally big sector for deals in Canada – got a look in, with RBC advising SK Capital on its acquisition of pharmaceutical company Apotex, a deal that showcased the value of RBC having rebuilt its US healthcare franchise just before the pandemic.

RBC is no stranger to pressure on climate topics, particularly when it comes to continuing to finance dirty industries. The bank is constantly targeted by protesters calling for it to do more on climate – and on the rights of indigenous communities – although it always defends its record vigorously, arguing that financing legacy industries is necessary to avoid a disorderly transition.

And Neldner identifies a pipeline deal involving indigenous communities as one of the standout transactions of the year. Enbridge had reached out to communities along the routes of its projects and ended up structuring a deal through which they would take a 12% stake in seven pipelines, for C\$1.12 billion (\$846 million).

The transaction was immensely complex, not just because it involved working with 23 different communities, each of which had their own objectives, but also because



Derek Neldner, RBC Capital Markets

of the financial engineering involved to pull it all together, which also involved government support for part of the debt to finance the investment. RBC was the sole adviser to Athabasca indigenous Investments, the communities’ vehicle.

“This transaction will be an important template for Canada for future infrastructure projects and how to partner with indigenous communities,” says Neldner.

As in most other countries, the year was not a great one for equity capital markets, but RBC ranked top of the business that took place. But its work also includes private placements, particularly when public markets are difficult. A standout this year was co-leading a \$318 million series E round for decarbonization company Svante.

Debt capital markets is where RBC is the perennial number one, and what Neldner likes in particular is the leadership the franchise is showing in situations that need more advice.

What he has in mind is liability management work, which is getting ever more involved, and structural complexity, like the limited recourse capital notes product that the bank designed in 2020. In the period under review Manulife became the first global insurer to use it, selling a C\$1 billion 60-year non-call five bond.