CANADA'S BEST INVESTMENT BANK

Cross-border transactions involving multiple products that combine advisory, equity and debt financing are the bread and butter of a franchise like **RBC Capital Markets**. The firm's performance in 2023 makes it a worthy winner of the award for Canada's best investment bank.

Where RBC Capital Markets is today is in large part the result of work that began in earnest in 2019, when Derek Neldner took charge of the unit as chief executive, having been at the firm since 1995. He thinks that recent years of focusing on a core strategy – as well as steady investment in talent and technology – are now being borne out in the bank's results.

Some aspects have taken time to play out. The pandemic didn't help, making hiring tougher simply because of remote working. But as conditions have begun to normalize, it has been possible to capture greater potential.

And the bank's efforts in 2019 and 2020 have paid off. Investment banking revenues rose 16% to C$2 billion ($1.46 billion) in 2023 and were up 11% in corporate lending. Sales and trading was up 7% to C$6 billion, driven by a 24% increase in the bank fixed income, currencies and commodities unit, which offset a fall in the much smaller equities business.

All told, RBC Capital Markets saw revenues up 11% to C$11 billion, nearly twice the size of its closest domestic rival. It topped the rankings for investment banking fees in Canada, according to Dealogic, ranking first in M&A and debt capital markets, and second in equity capital markets.

"We had strong absolute performance and very strong relative outperformance in 2023," says Neldner. "What you see is our strategic investments and approach starting to mature and deliver these results."

Scale increasingly matters and RBC has it. Its heft means that it ranks within the top-10 global investment banks. Neldner says that this size is what enables the bank to more easily commit to the kind of balance sheet support that its biggest clients need.

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Derek Neldner, RBC Capital Markets

But as much as scale is needed, so is variety.

"The diversity of the platform continues to bear fruit," notes Trevor Gardner, RBC's head of global investment banking coverage. "We are not over-indexed in just one or two sectors in Canada; and in a year like 2023 that mattered a lot because activity was driven by clients across the board."

The bank also puts a strong focus on helping Canadian clients access global markets, as well as bringing non-Canadian clients into Canada. The bank's transactions in 2023 are a testament to its ability to do that. The bank tops the tables for non-Canadian clients selling Canadian dollar bonds, for example.

Neldner acknowledges that the strength of the platform is also down to its now long history of establishing that global franchise.

"We are very fortunate to have embarked on a strategy to grow outside Canada in 2000 and so we are 24 years into that globalization," he says. "We accelerated that over the last five years through investments in talent and technology, but it has been a multi-decade story."

RBC's roster of deals is extensive and covers an array of sectors and types of client. But for Gardner, the bank's deal of the year – and illustrative of a number of its particular strengths – was its work for energy giant Enbridge, which was buying three gas utilities belonging to Dominion Energy for $14 billion in a deal that would create the biggest gas utility in North America.

The acquisition of EOG, Questar and PSNC involved three separate agreements and RBC had a lead role in the acquisition financing, both equity and debt.

"It exemplified a number of things," says Gardner. "It was an energy transition transaction; in that it adds diversification to Enbridge by doubling the size of its natural gas business and balancing its portfolio between natural gas and oil.

"And it was also a challenge in terms of scale – only a few buyers could digest something of this size, and even though Enbridge is a large company, putting the financing package together and successfully executing against the market backdrop that existed was quite something."

RBC, which was working alongside Morgan Stanley on the deal, was a lead on the equity and debt financing. It was a joint active bookrunner on a $2 billion hybrid in the US market, as well as a lead left on a separate C$1 billion hybrid and also on a $3.5 billion multi-tranche senior deal, the last being the biggest debt financing Enbridge had ever done.

It was also a lead on the $4.6 billion equity raise for Enbridge, in what was the biggest-ever Canadian bought deal.

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