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Adam Waterous Seeks to Profit From Disruption in Oil-and-Gas Market

Adam Waterous is a man on a mission: to prove he can be as successful as a private-equity investor as he was as a banker. Key to his success is what he calls a once-in-a-lifetime disruption in energy deals.

In 2017, Mr. Waterous, 57, left Scotiabank, where he worked for more than 10 years and was global head of investment banking based in Calgary, Alberta. He launched an energy focused private-equity firm, Waterous Energy Fund. It wasn't an easy decision, but he was driven by the opportunities he saw to acquire prolific oil-and gas assets on the cheap, thanks to a dearth of buyers for these assets.

New drilling and production technologies, he said, have enabled upstream companies to extract higher volumes of oil and gas from their wells, reducing their need to turn to acquisitions for growth. As a result, an increasing number of oil-and-gas businesses created around the idea of selling themselves to a larger buyer later are struggling today, he said.

"Buyer demand has collapsed," he said. "It's once in a career you see a market get disrupted like this. So, I couldn't help myself."

Calgary-based Waterous Energy amassed 1.4 billion Canadian dollars ($1.06 billion) for its first fund in 2018. So far, it has backed two Canadian oil-and-gas producers. It bought assets from one out of bankruptcy and took the other private at a depressed share price compared with the company's 2014 initial public offer, Mr. Waterous said.

Mr. Waterous since "a very early age" was sure he wanted to be an entrepreneur. He also discovered a passion for skiing and the outdoors. After high school, the lure of the "rocky mountain lifestyle" made the 18-year-old Mr. Waterous spend months in Canada's resort town of Banff, Alberta, skiing every day and taking on low-wage jobs at hotels to pay the bills.

"It was such a great experience," said Mr. Waterous, a native of Toronto. ''I wanted to get back there somehow, but I needed to figure out a career that would... allow me to have that lifestyle."

The opportunity for such a career came in the early 1990s, after he got an M.B.A. from Harvard Business School. His brother Jeffrey, who had started an energy merger-and-acquisition advisory boutique in Calgary, invited him to join the business. Waterous & Co., as the firm was called, was one of the first to run auctions to sell oil-and-gas assets for clients. This was when virtually all transactions in the sector were negotiated bilaterally, Mr. Waterous said.

"What we did is help pioneer the oil-and-gas competitive bid process;" he said.

Waterous & Co. expanded fast, opening offices in Houston, Denver, London, Singapore and Buenos Aires. In 2005, the firm was sold to Scotiabank. Mr. Waterous joined the Canadian bank to run its oil-and-gas practice, which was named Scotia Waterous. Three years later, he became responsible for Scotiabank's global investment-banking operations.

Douglas De Filippi, a senior vice president at gas company Castleton Resources LLC who has worked with Mr. Waterous for many years, said the latter's departure from Scotiabank didn't surprise him.

"He's always liked [a] small atmosphere, and he's very confident in his own capability," Mr. De Filippi said.

Mr. Waterous gets to divide his time between Calgary and Banff, where he and his wife Jan also own a house and have spent many days with their three children in the ski resorts around town. Mr. Waterous is active in both communities, supporting local organizations and initiatives. He was part of the executive committee that prepared Calgary's bid to secure Amazon.com Inc.'s new headquarters.

"He has a good heart," said Connie Hamilton, a director at charity United Way of Calgary and Area, in which Mr. Waterous is a board member. "[He] wants to see Calgary be a successful city."

In a way, Mr. Waterous has returned to his roots at Waterous & Co. He even works from the same office that his former firm used to occupy in Calgary. He's again seeking to stand out from the pack in the oil-and-gas industry-but what's different this time is that instead of facilitating deals, he's looking to benefit from the lack of them.

"The technological disruption created widespread illiquidity in the industry, which frankly is leading to opportunities," he said.