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Canadian Private Equity Buyout Review Full Year 2016

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Canadian Private Equity Buyout Market Activity in 2016

Canadian Buyout-PE Market Trends

Deal-making activity in Canada's buyout and related private equity (PE) market showed a marked decline in 2016. With a total of 303 announced and completed transactions collectively valued at \$18.0 billion, deal values were down by 19% from 2015, while deal volumes declined by 28%. Canadian private equity reached a peak of \$32.0 billion invested in 2014, with investment having fallen 44% in these past two years.

Top deals included CDP Capital's \$2.0 billion investment in Bombardier Transportation, Thoma Bravo's \$1.6 billion investment in Trader Corporation, and CPPIB's \$1.5 billion investment in Oxford Properties Group. As of the end of the year, the six largest transactions sized \$1 billion or greater captured 48% of all disclosed disbursements made in the Canadian market.

In addition to a decline in private equity investment in Canadian companies on a year-over-year basis, investment activity also continues to decline as compared to Canadian merger & acquisition activity overall. While the number of private equity deals reached a peak of 28% of the number of traditional merger & acquisition deals in 2015, this declined to only 20% in 2016, a three-year low.

Canadian Market Trends by Sector

Canadian oil & gas companies accounted for the largest share of buyout-PE deal-making this year with 45 transactions, or 15% of the national total. Consumer-related and manufacturing companies came in a close second and third place, with 43 and 42 deals respectively. As measured by disclosed deal values, oil & gas and manufacturing companies continued to lead all other industries, with \$5.2 and \$3.7 billion of investment respectively.

Canadian Fund Performance

While investment activity was on the wane in 2016, the performance of Canadian buyout, mezzanine, and private equity energy funds showed steady positive performance. Data provided by Cambridge Associates shows Canadian buyout, mezzanine, and private equity energy funds with vintage years of 2000 or greater returned a since inception IRR of 5.1% as of September 30th this year, approximating the performance of Canadian public markets, but lagging far behind their US counterparts.

Canadian Private Equity Buyout Market Activity in 2016

Canadian Market Trends by Region

The decline in deal volumes was felt nearly nation-wide in 2016; British Columbia was the only province or region to see its private equity deal volumes increase, from 32 in 2015 to 34 in 2016. Dealmaking in Québec took the hardest hit, with deal volumes collapsing by 40% from the year prior, with Ontario down by 25% from 2015. In terms of deal values, however, Ontario suffered a decline of only 11% through capturing most of the largest investments in Canada in 2016.

The cities attracting the most private equity investment in 2016 were Toronto, which attracted \$8.5 billion in 79 deals, followed by Calgary, whose companies secured \$4.8 billion in 44 transactions.

Canadian Investor Activity in Global Markets

While Canadian buyout and related PE funds were somewhat less active in international investment in 2016, they participated in 106 deals collectively valued at \$102.5 billion. While this did fall short of the 132 deals valued at \$140 billion which Canadian funds participated in during 2015, the 2016 year was the second best year on record by a very large margin. Prior to 2015, the strongest year on record for Canadian investment abroad had been the height of the buyout boom in 2007 when Canadian funds participated in deals valued at \$70 billion.

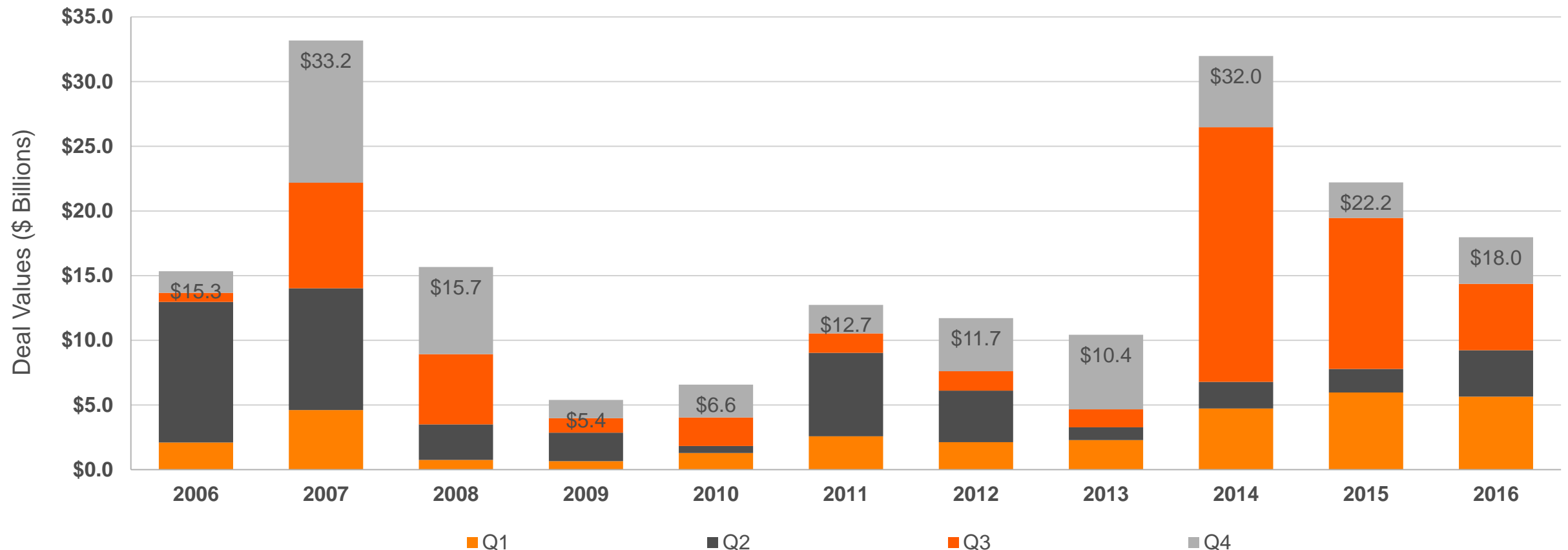
Top investments of the year included ITC Holdings, a Michigan-based utilities company, which was acquired by Fortis and GIC Private Limited for \$14.8 billion; and two acquisitions of Australian transportation companies, OMERS \$9.6 billion investment in Port of Melbourne Corporation, and CPPIB's and Brookfield's \$9.1 billion investment in Asciano.

Trends in Canadian buyout-PE fundraising

The fundraising activities of Canadian buyout funds maintained very strong levels in 2016 with a total of \$45.4 billion of new capital committed, substantially accounted for by the closings of Brookfield Infrastructure Fund III, Brookfield Strategic Real Estate Partners II, and Brookfield Capital Partners IV.

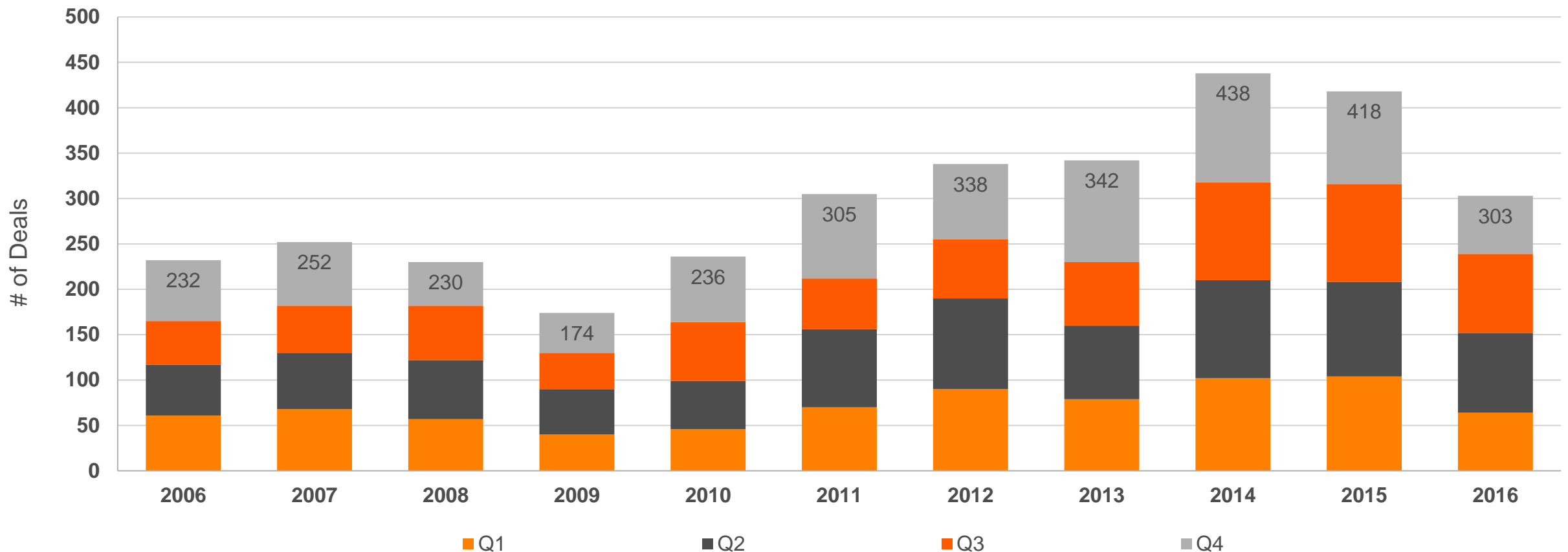
Historical PE-Buyout Investment in Canadian Companies: Deal Values

While Canadian companies did raise more PE buyout investment in 2016 than in six of the past eight years, investment was still down by 44% from its 2014 peak.



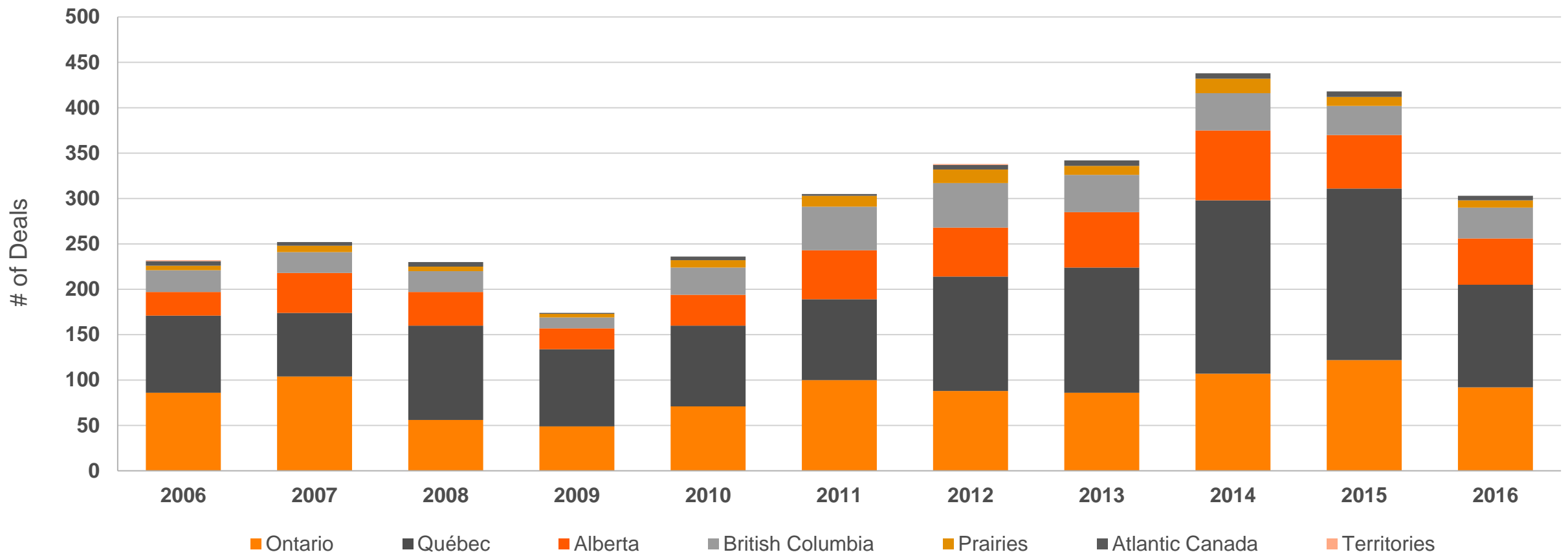
Historical PE-Buyout Investment in Canadian Companies: Deal Volumes

With deal volumes down by 28% year-over-year, Canada sees lowest annual level of PE dealmaking since 2010, and the worst Q4 since 2009.



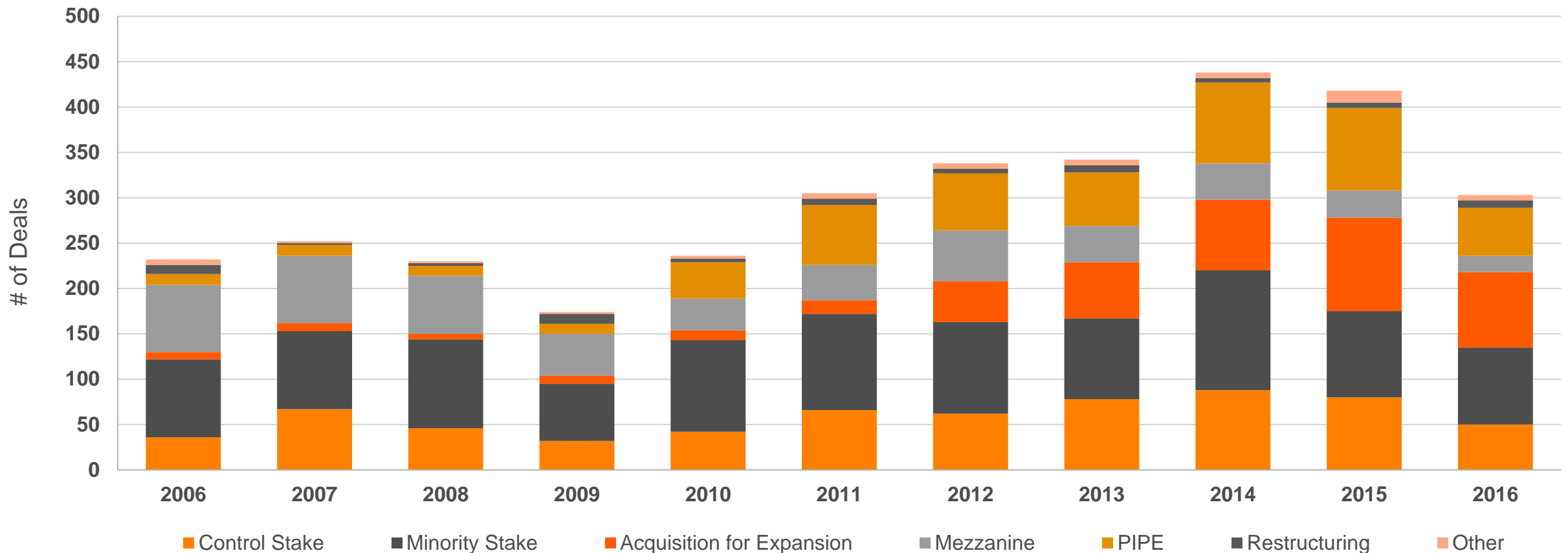
PE-Buyout Dealmaking: Deal Volumes by Company Location

Ontario's share of PE targets rises to 30% in 2016, a five-year high. Gains come at the expense of Québec, whose 37% share in 2016 was the lowest in four years.



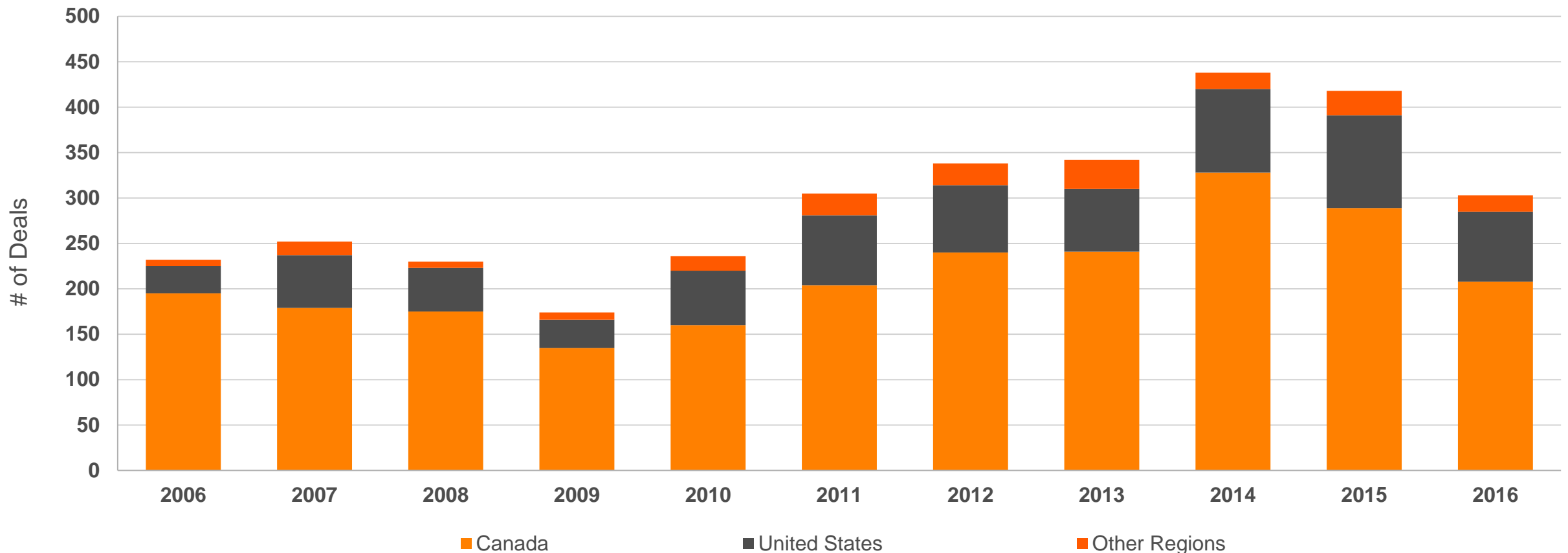
PE-Buyout Dealmaking: Deal Volumes by Transaction Type

Comprising less than 5% of all deals just five years ago, acquisitions for expansion grow to 27% of all deal activity in 2016.



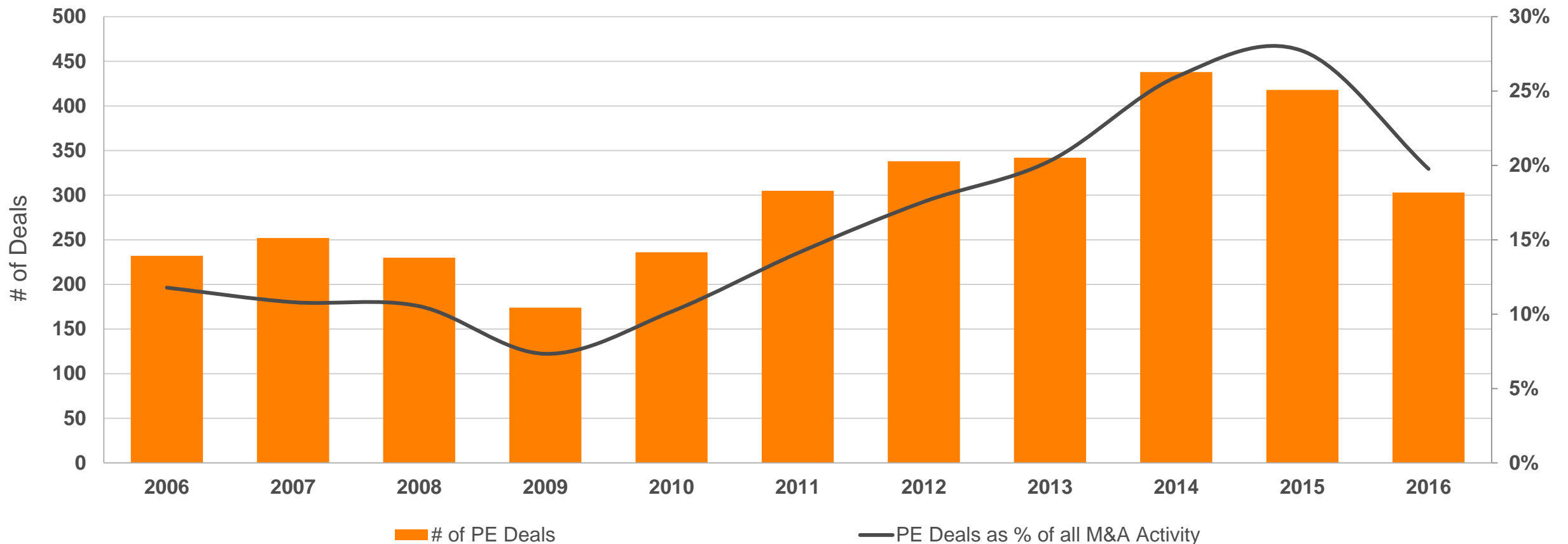
PE-Buyout Dealmaking: Deal Volumes by Nation of Lead Investor

Despite reduced deal volumes, 31% of lead investors were non-Canadian, a high not seen since 2011 when 33% of Canadian deals were led by non-resident firms.



PE-Buyout Dealmaking Versus All M&A of Canadian Targets

With private equity deal volumes down, and overall Canadian M&A up by 2% in 2016, the PE share of all Canadian M&A fell to 20%, a three-year low.

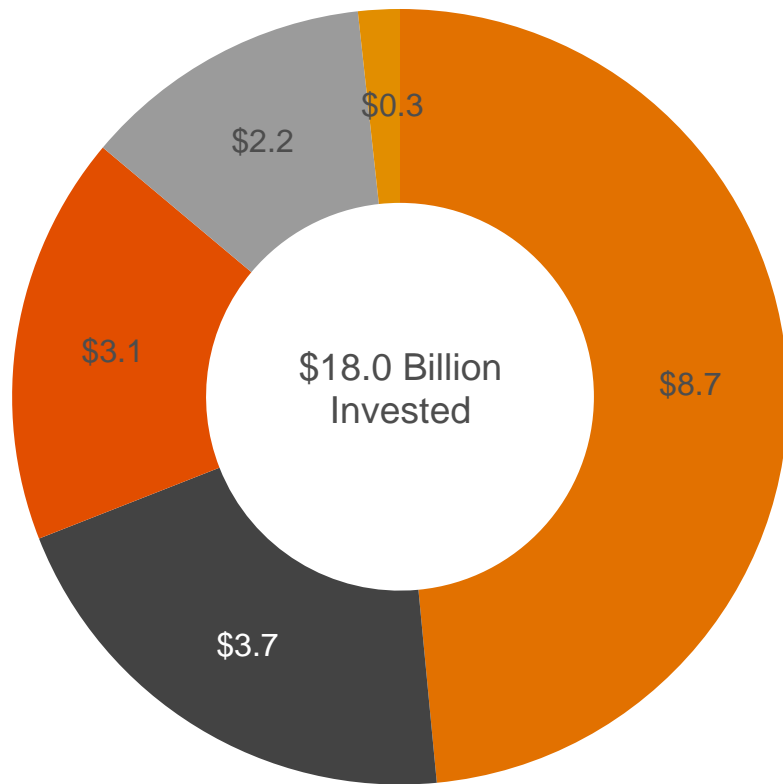


Top Canadian Private Equity Deals, 2016

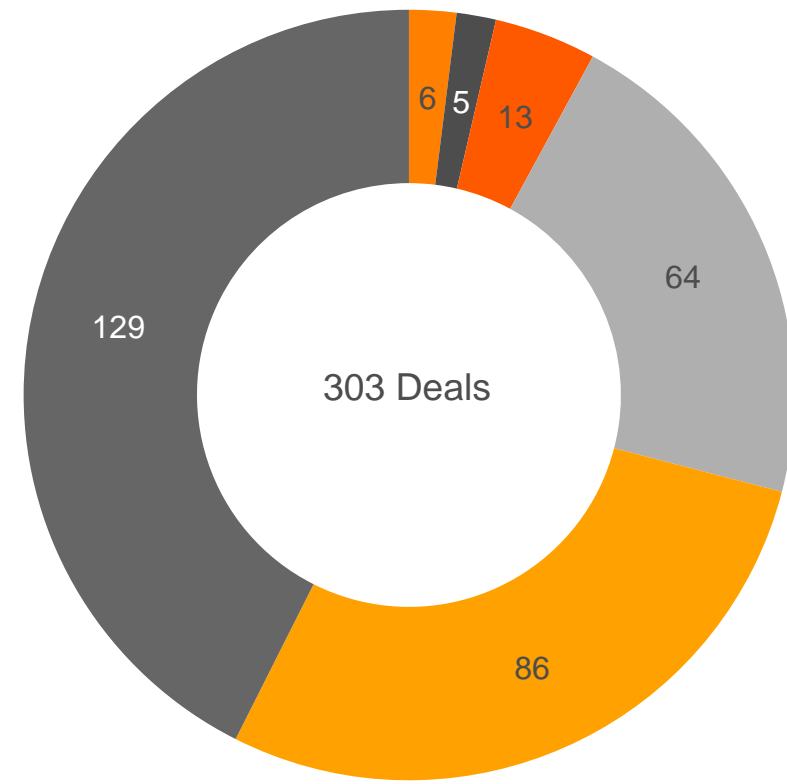
Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	Bombardier Transportation	\$2,089	Montreal, QC	Manufacturing	Caisse de dépôt et placement du Québec
2	Trader Corp	\$1,594	Toronto, ON	Online Content	Thoma Bravo
3	Oxford Properties Group - Canadian Office Portfolio	\$1,545	Toronto, ON	Property Management	CPPIB
4	Wolf Midstream	\$1,400	Calgary, AB	Oil & Gas	CPPIB
5	Give & Go Prepared Foods	\$1,045	Toronto, ON	Consumer Related	Thomas H. Lee Partners
6	Constellation Brands - Canadian Wine Business	\$1,039	Toronto, ON	Consumer Related	Ontario Teachers' Pension Plan
7	Teine Energy	\$975	Calgary, AB	Oil & Gas	CPPIB
8	GFL Environmental	\$800	Toronto, ON	Energy & Environmental	Highbridge Principal Strategies, Hawthorn Equity Partners
9	RimRock Oil & Gas	\$685	Calgary, AB	Oil & Gas	Warburg Pincus
10	Pacific Exploration & Production	\$633	Toronto, ON	Oil & Gas	Catalyst Capital Group

Canadian PE-Buyout Investment by Deal Size Range

Top ten 2016 transactions take 66% of all dollars invested, unchanged from 2015, but down from 2014 when the top ten deals captured a 73% share.



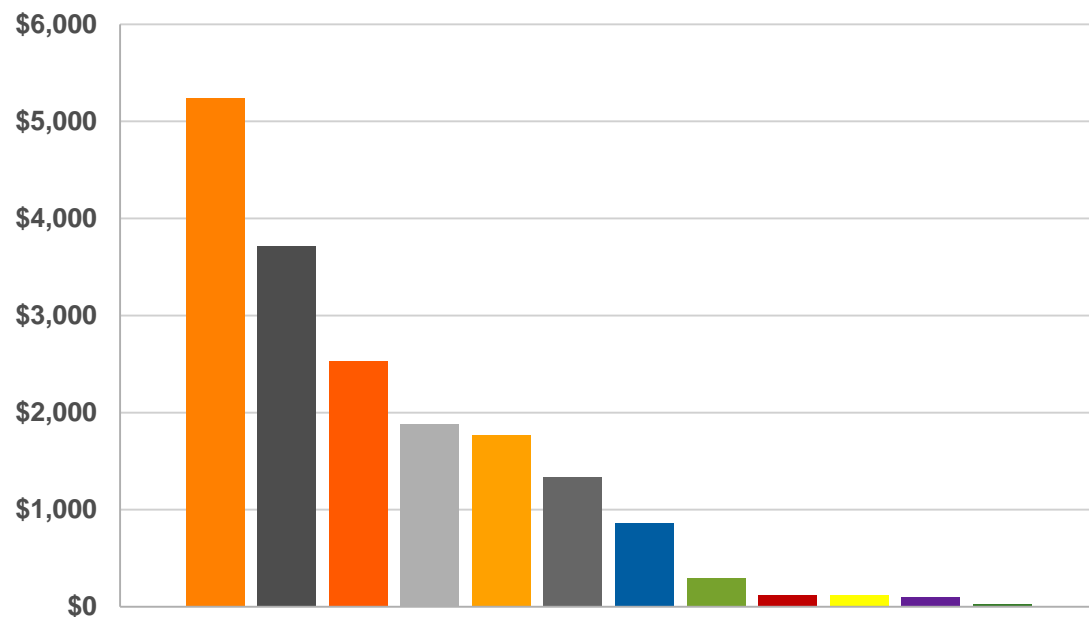
- > \$1 Billion
- \$500 - \$1,000 Million
- \$100 - \$500 Million
- \$10 - \$100 Million
- < \$10 Million
- Deal Values Undisclosed



Canadian PE-Buyout Investment by Sector

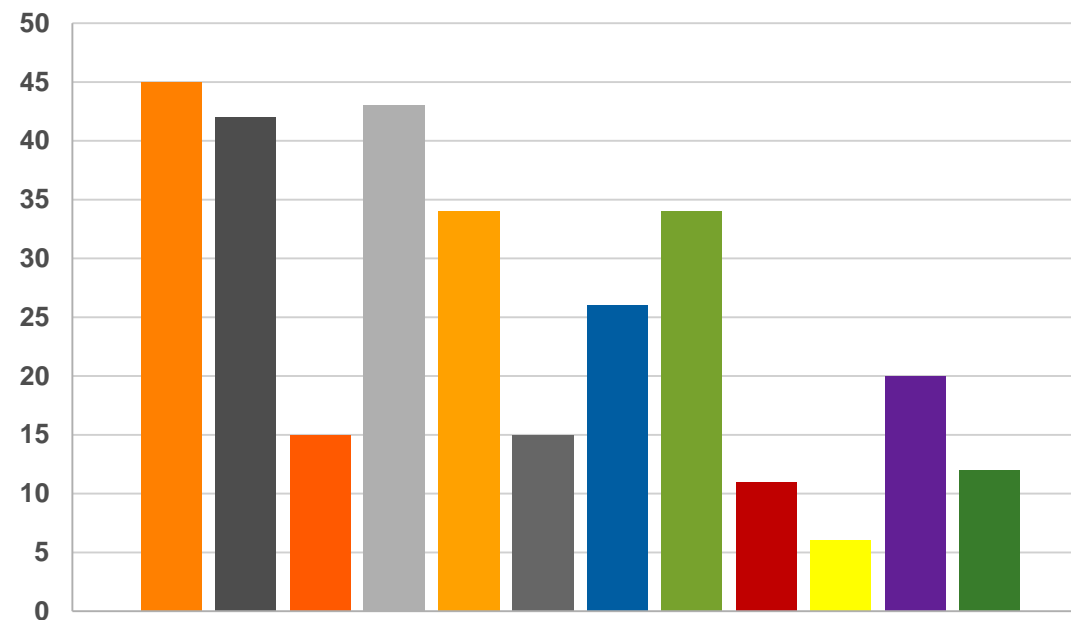
Despite oil slump, oil & gas sector companies raise the most capital and the greatest deal volume with 45 deals collectively valued at \$5.2 billion, with deal volumes up 15% over 2015.

2016 Total Deal Values (\$ Millions)



Oil & Gas Manufacturing IT & Media
 Healthcare & Life Sciences Mining Finance

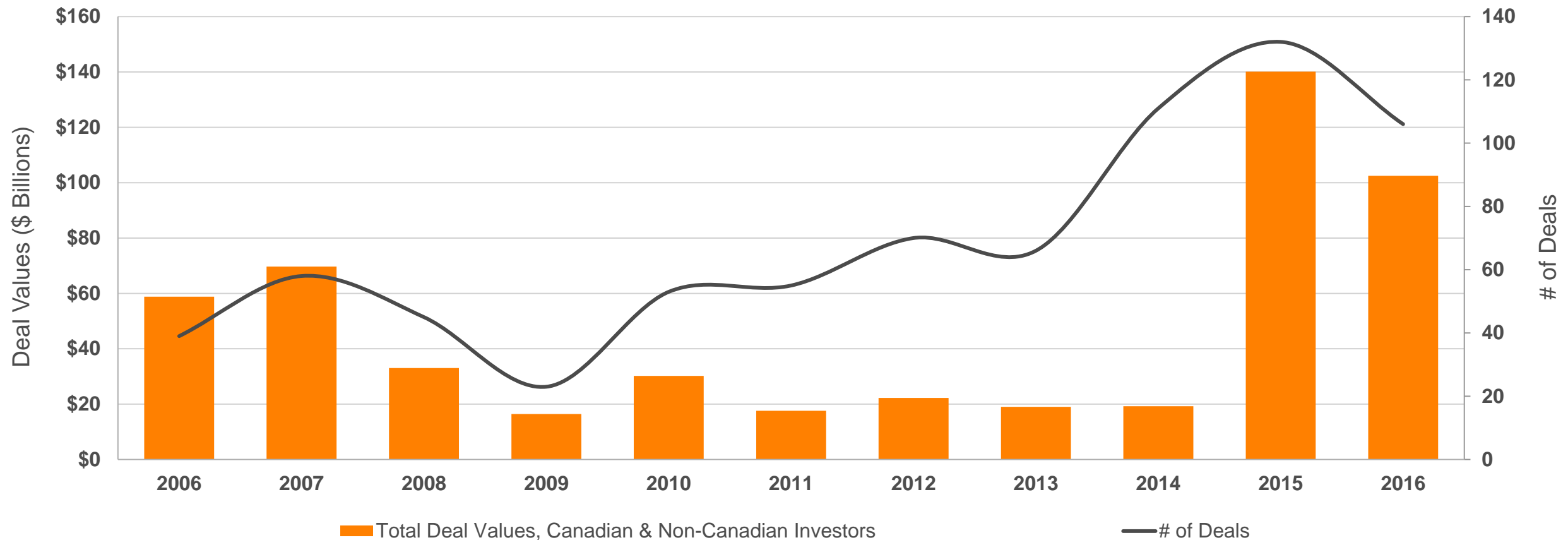
2016 Total # of Deals



Consumer Related Business Services Energy & Environmental
 Forestry & Agriculture Software Transportation

PE Investments by Canadian Firms in non-Canadian Companies

While Canadian firms' participation in 106 deals valued at \$102 billion was down by 27% from 2015, 2016 still represented the second strongest year on record by far.

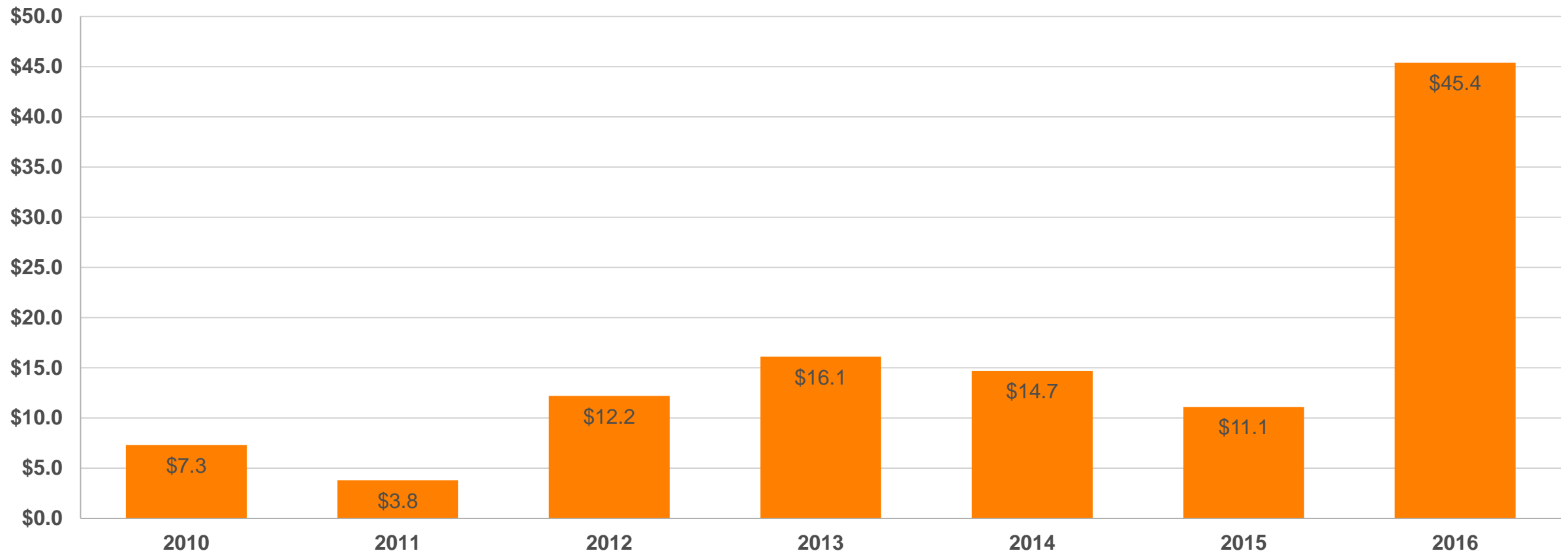


Top PE Investments by Canadian Firms in non-Canadian Companies, 2016

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Billions)	Location	Sector	Investing Firms (Disclosed)
1	ITC Holdings Corp	\$14.8	Novi, MI	Utilities	Fortis, GIC Private Limited
2	Port of Melbourne Corporation	\$9.6	Melbourne, Australia	Transportation	OMERS, Future Fund, QIC, Global Infrastructure Partners
3	Asciano, Ltd.	\$9.1	Melbourne, Australia	Transportation	Qube Holdings, Brookfield Asset Management, China Investment Corp, CPPIB
4	ADT LLC	\$8.7	Boca Raton, FL	Security	PSP Investments
5	Nova Transportadora Do Sudeste S/A NTS	\$6.8	Rio De Janeiro, Brazil	Oil & Gas	Brookfield Infrastructure Partners, BCIMC, China Investment Corp, GIC Private Limited
6	Petco	\$6.3	San Diego, CA	Consumer Related	CPPIB, CVC Capital Partners
7	Cleco Corporation	\$6.0	Pineville, LA	Utilities	BCIMC, Macquarie Infrastructure and Real Assets, John Hancock Financial
8	Clarivate Analytics	\$4.7	Philadelphia, PA	Intellectual Property Management	ONEX Corporation, Baring Private Equity Asia
9	Alixpartners LLP	\$3.3	New York, NY	Global Advisory	Caisse de dépôt et placement du Québec, PSP Investments, Investcorp Group
10	Glencore PLC - Agriculture Business Unit	\$3.3	Baar, Switzerland	Agriculture	CPPIB

PE-Buyout Fundraising by Canadian Firms

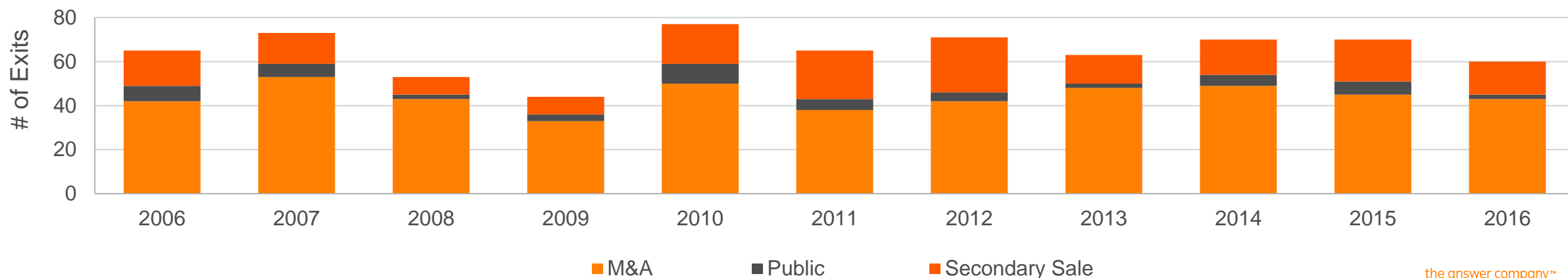
Canadian private equity, buyout, and infrastructure funds raised a total of \$45.4 billion in 2016, the strongest year for fundraising on record, let my multiple Brookfield closings.



Canadian PE-Backed Exits

With only 60 disclosed exits completed in 2016, exit volumes fell to a seven year low. Top exits included mostly non-Canadian investors.

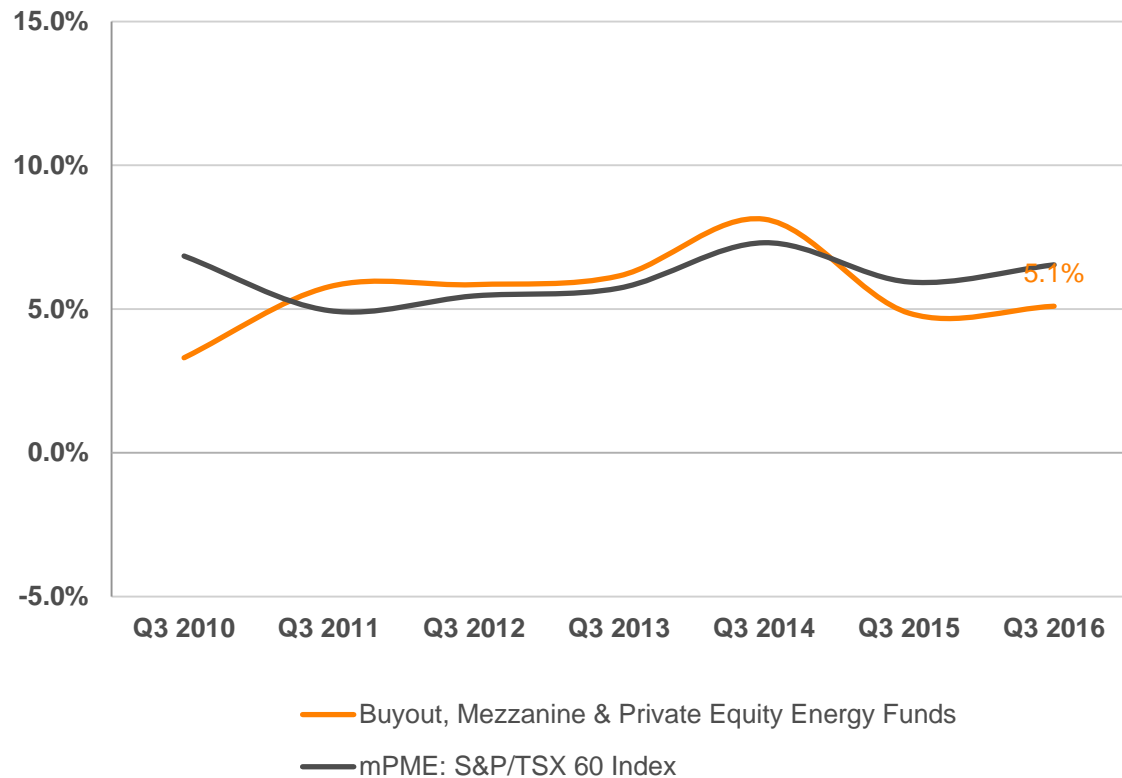
Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investors (Disclosed)
1	Rona, Inc.	\$3,079	Boucherville, QC	Distribution & Retail	Caisse de dépôt et placement du Québec
2	InnVest REIT	\$2,091	Toronto, ON	Hospitality	KingSett Capital
3	WIND Mobile	\$1,605	Toronto, ON	Wireless Services	Tennenbaum Capital Partners, West Face Capital
4	Trader Corp	\$1,573	Etobicoke, ON	Online Content	Apax Partners
5	DPx Holdings BV	\$939	Mississauga, ON	Pharmaceuticals	JLL Partners



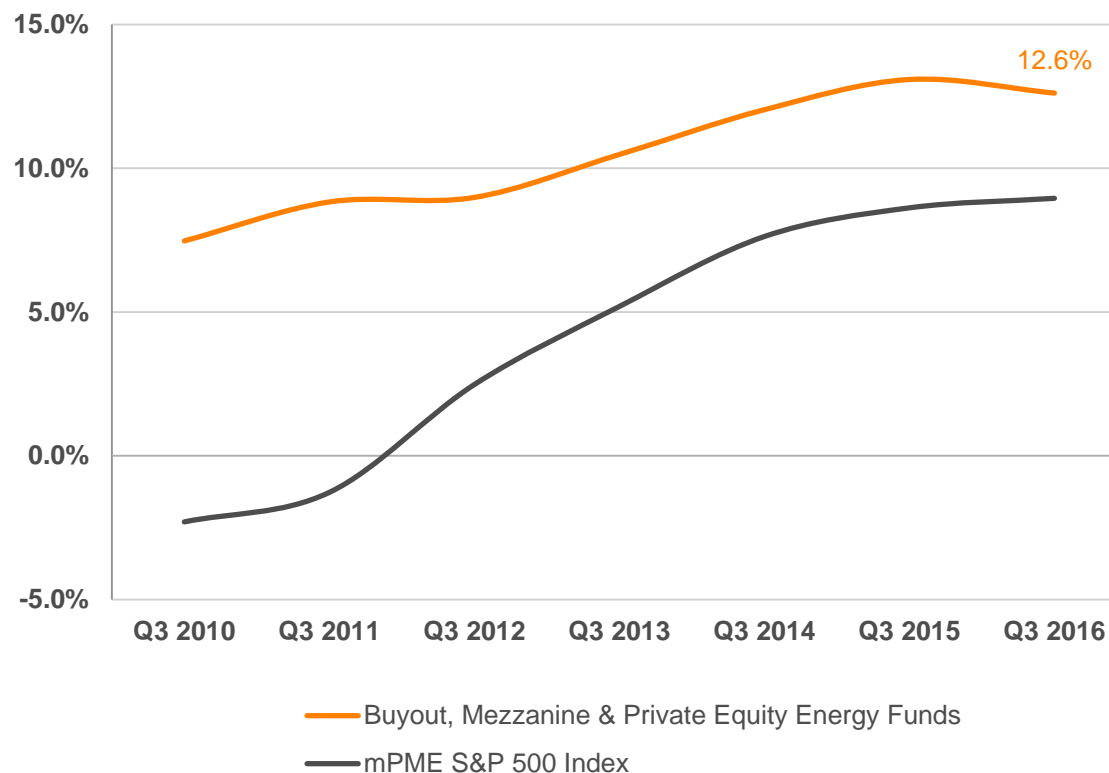
Cambridge Associates: Private Equity Fund Performance

Canadian private independent funds holding positive returns approximating public market performance, but still lagging US-based funds.

Canada



United States



Explanatory Notes

1. Data collected and analyzed by Thomson Reuters for this statistical report were drawn from a variety of sources including Thomson Reuters M&A databases, regulatory filings, press releases, and proprietary investor reports from Canadian and non-resident fund managers.
2. Key statistical indicators (e.g., total disbursements, per quarter or per annum) are influenced by the fact that a substantial fraction of buyout and other PE deals are not fully disclosed. For instance, “dollars invested” in a given period pertain only to those deals with values that have been published or confidentially disclosed to Thomson Reuters.
3. The data also highlight the deal-making of Canadian funds in non-Canadian companies. “Dollars invested” pertain to the total value of disclosed deals in which Canadian funds have participated and not the specific Canadian financial contributions to these deals. Deals are first tracked as of announcement date, then tracked as of completion date upon closing.
4. Statistical data reflect all essential forms of buyout-PE deal-making, including control-stake acquisitions of businesses, minority equity investments, restructuring and special-situations transactions, mezzanine deals over \$3 million, acquisitions for expansion and other quasi-equity investments.
5. Fund performance data and public market equivalents are produced via the Cambridge Associates Benchmark Calculator, available through Thomson Reuters Eikon. Returns are for Canadian and US buyout, mezzanine, and private equity energy funds with vintage years of 2000 or greater, on a first cash flow basis, in Canadian dollars, from inception to the end of the indicated quarter. Pooled internal rates of return are net of fees, expenses and carried interest. CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index’s shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns.
6. All current and previous years data is as of Thursday, January 26th, 2017. Data is continuously updated and is therefore subject to change. All figures are in Canadian dollars unless otherwise noted.

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Contributors to this analysis are provided with additional packages of data. If you would like to participate in the submission process, receive quarterly press releases, or have questions about our venture capital criteria, please contact us at:

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