



Ben Nelms REUTERS

# Canadian Private Equity Buyout Review First Quarter 2017

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# Canadian Private Equity Buyout Market Activity in Q1 2017

## ***Canadian Buyout-PE Market Trends***

Deal-making activity in Canada's buyout and related private equity market showed a marked decline in the first quarter of 2017. With a total of 81 transactions valued at \$3.2 billion, deal values decreased by 43% from Q4 2016. Deal volumes increased 25% from the same period last year, but still fell 22% short of the levels seen in Q1 2015.

The Canadian top deals list was dominated by Restaurant Brands International's PE-backed acquisition of Popeye's Chicken for \$2.4 billion. Mid-market highlights included Acasta Enterprises' acquisition of JemPak for \$135 million, Bridge Growth Partners' \$133 million investment in Accedian Networks, and Kinetikor Resource Corp, which raised \$125 million from OPTrust.

In addition to a decline in private equity deal values in Canadian companies on a year-over-year basis, investment activity also continued to decline as compared to Canadian merger & acquisition activity overall. While the number of private equity deals reached a peak of 31% of the number of traditional merger & acquisition deals in Q4 2014, this percentage had declined to only 19% in the first quarter of 2017, a three-year low.

## ***Canadian Market Trends by Sector***

Canadian business services companies accounted for the largest share of buyout-PE deal-making this quarter with 13 transactions, or 16% of the national total. Consumer-related and manufacturing companies came in a close second and third place, with 12 and 9 deals respectively. As measured by disclosed deal values, consumer-related companies continued to lead all other industries, with \$2.6 billion or 81% of all investment.

## ***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, closely following public market comparators. Preliminary 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 5.8% as of year-end 2016. This did however lag far behind their US counterparts which showed consistent outperformance of public markets.

# Canadian Private Equity Buyout Market Activity in Q1 2017

## ***Canadian Market Trends by Region***

The decline in deal volumes was felt across most provinces in the first quarter, but Ontario, with 31 deals, demonstrated a 24% increase quarter-over-quarter, and a 63% increase in Q1 2017 as compared to the same period last year. Québec saw 22 eligible buyout deals in the first quarter, a 21% decline from the previous quarter.

## ***Canadian Investor Activity in Global Markets***

Canadian buyout and related PE funds participated in 28 non-Canadian deals in the first quarter collectively valued at \$26 billion. La Caisse de dépôt et placement du Québec was particularly active in the quarter, participating in the \$8.0 billion acquisition of TeamHealth Holdings, the \$5.7 billion investment in insurance company USI Holdings, and the \$4.6 billion investment in GE Water & Process Technologies.

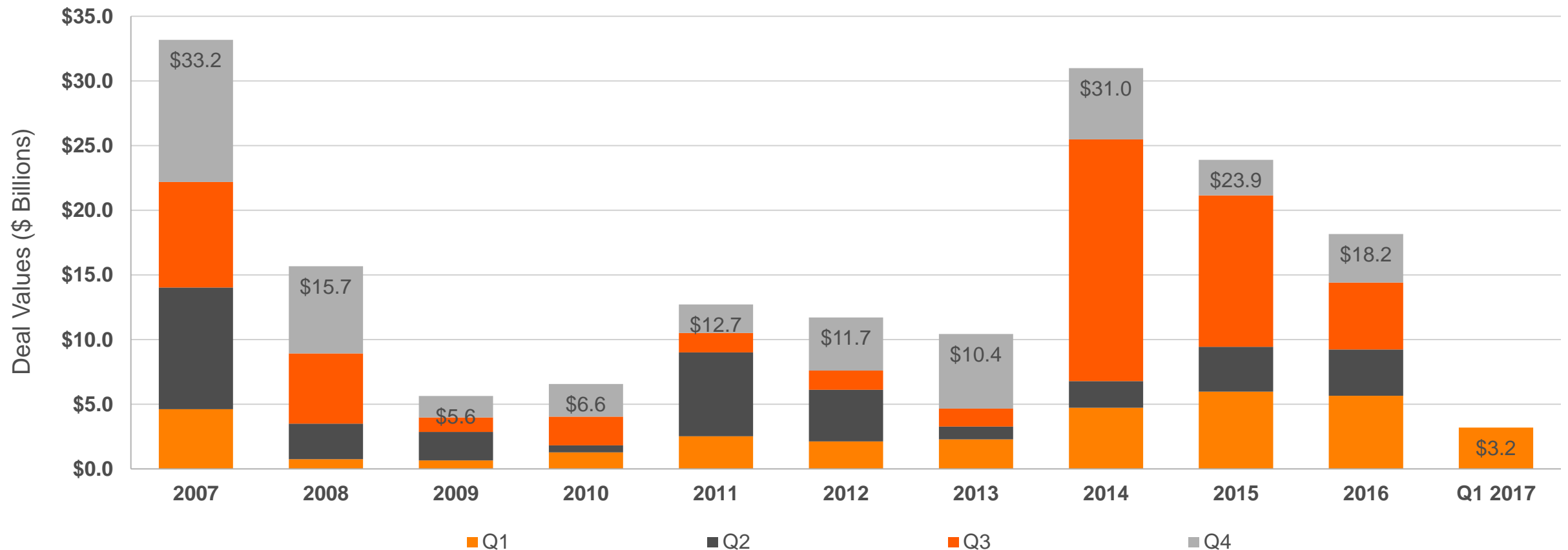
While PE activity by Canadian firms investing abroad in Q1 was up by 16% from the same period last year, it still fell 15% short of the lofty investment levels seen in Q1 2015. Deal volumes in the first quarter were also up by 15% as compared to both Q1 2016 and quarter-over-quarter.

## ***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. Fundraising in the first quarter of 2017 did not reach such heights, with a total of ten buyout funds collectively raising \$2.5 billion in new capital.

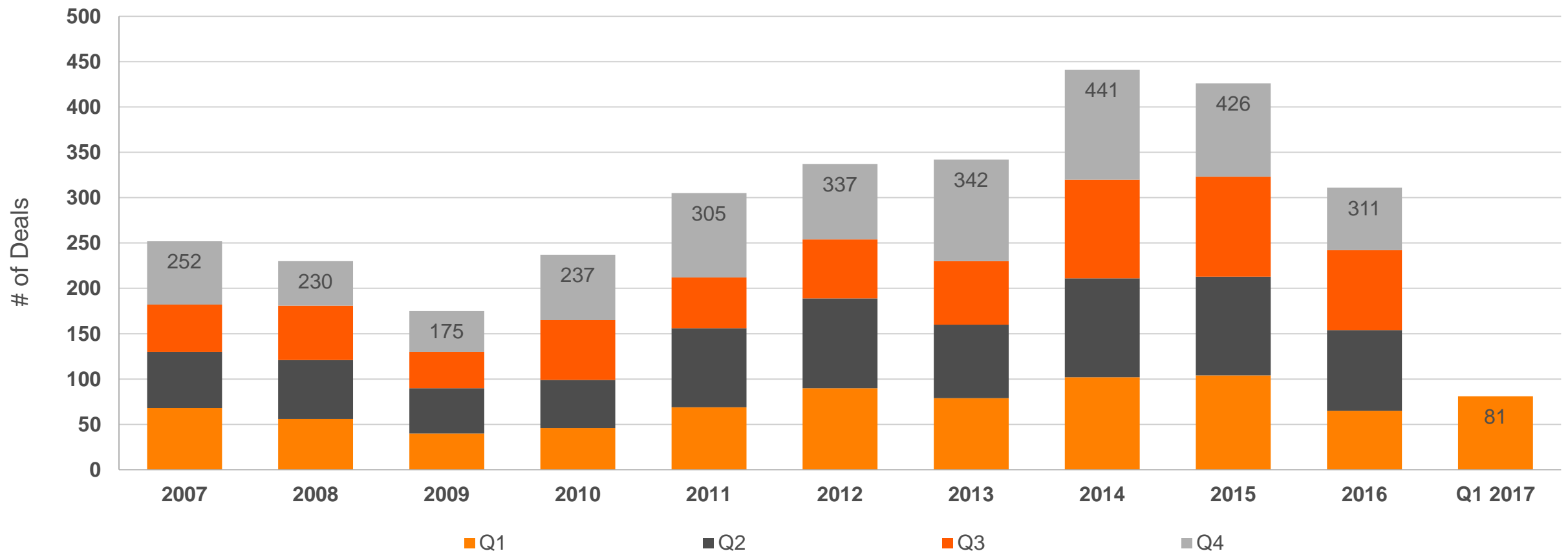
# Historical PE-Buyout Investment in Canadian Companies: Deal Values

Canadian PE-buyout investment declined 43% year-over-year, recording the lowest Q1 deal values since 2013.



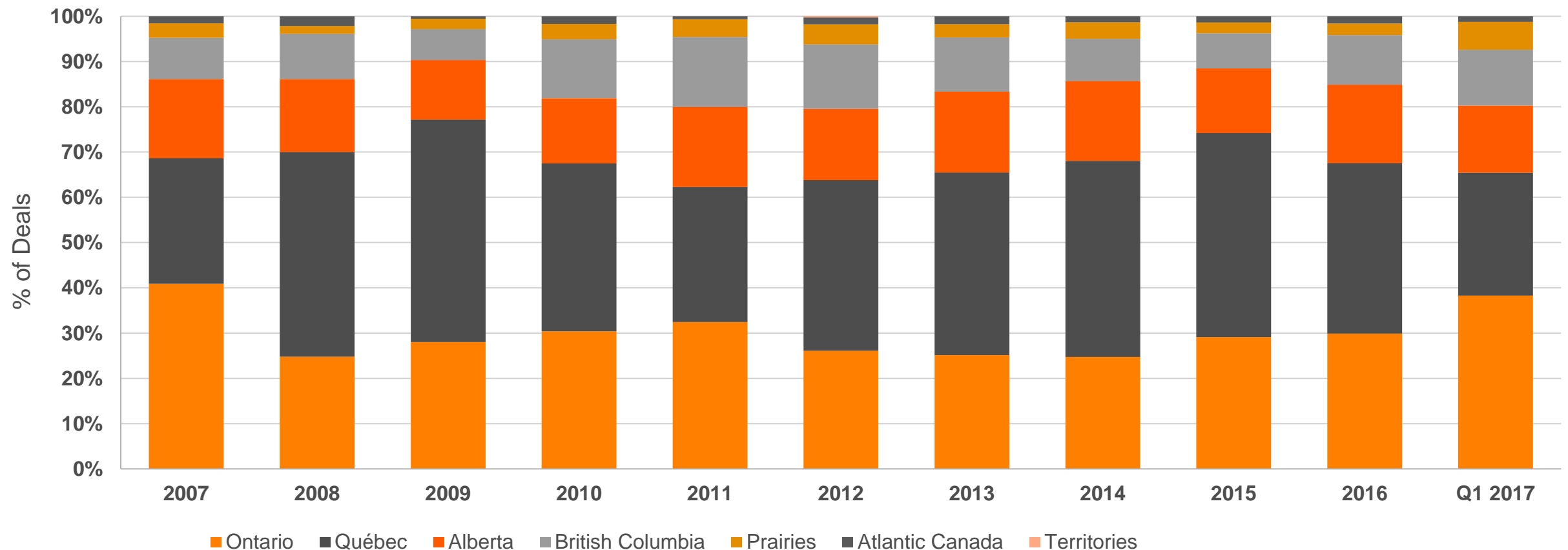
# Historical PE-Buyout Investment in Canadian Companies: Deal Volumes

First quarter deal volumes were up 25% year-over-year, but this still remained the second slowest Q1 since 2013.



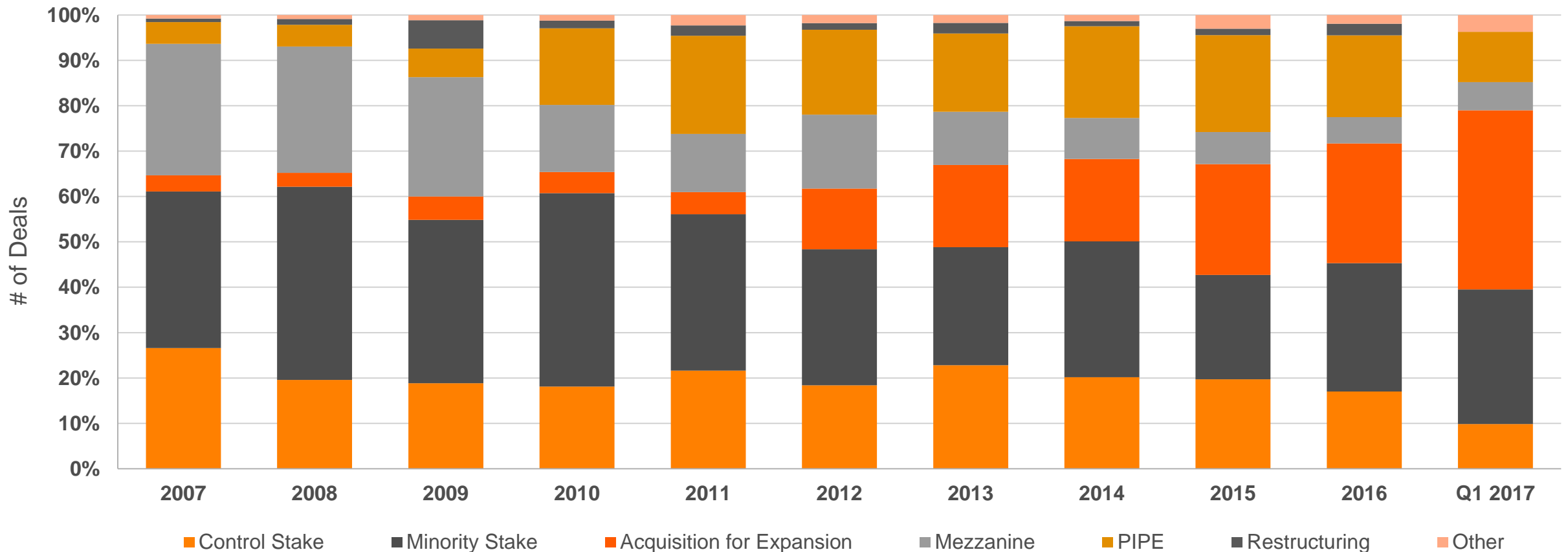
# PE-Buyout Dealmaking: Deals by Company Location

Ontario's share of PE targets continued to rise in Q1 2017 to 38% percent, a ten year high. Quebec's share dropped to 27%, a ten year low.



# PE-Buyout Dealmaking: Deal Volumes by Transaction Type

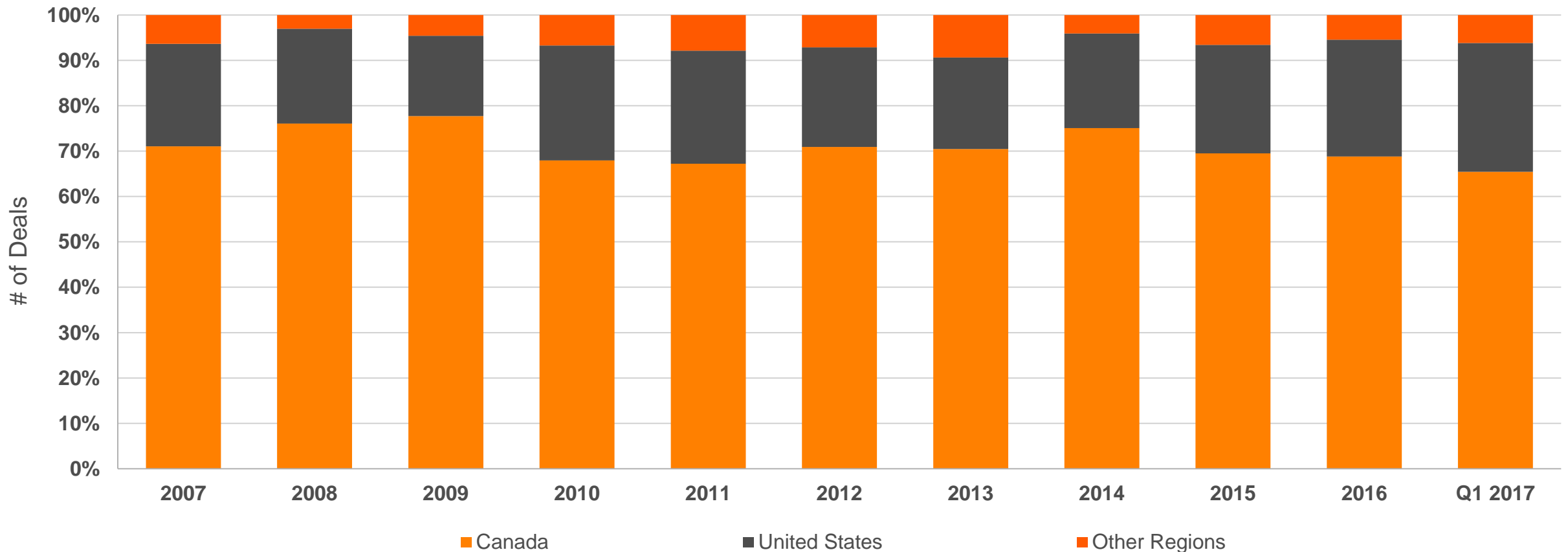
Acquisition for expansion made up 40% of all transaction types in Q1, up from 26% in 2016. Control stake investments continued to see declining popularity, dropping down to just 10% of all transactions in Q1.





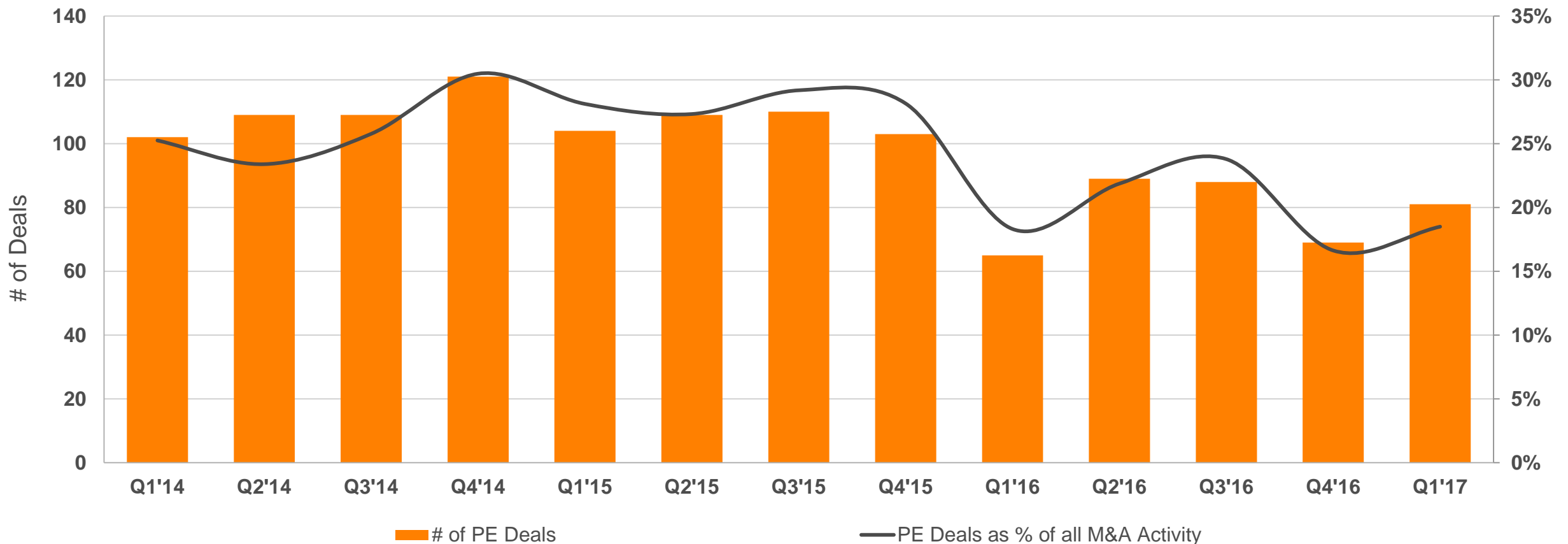
# PE-Buyout Dealmaking: Deal Volumes by Nation of Lead Investor

Non-Canadian investors led 35% of Canadian target deals in Q1 2017, up 11% from 2016.



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

With overall Canadian M&A up by 6% in Q1 2017, the PE share of all Canadian M&A continued to hold under 20%, a three-year low.

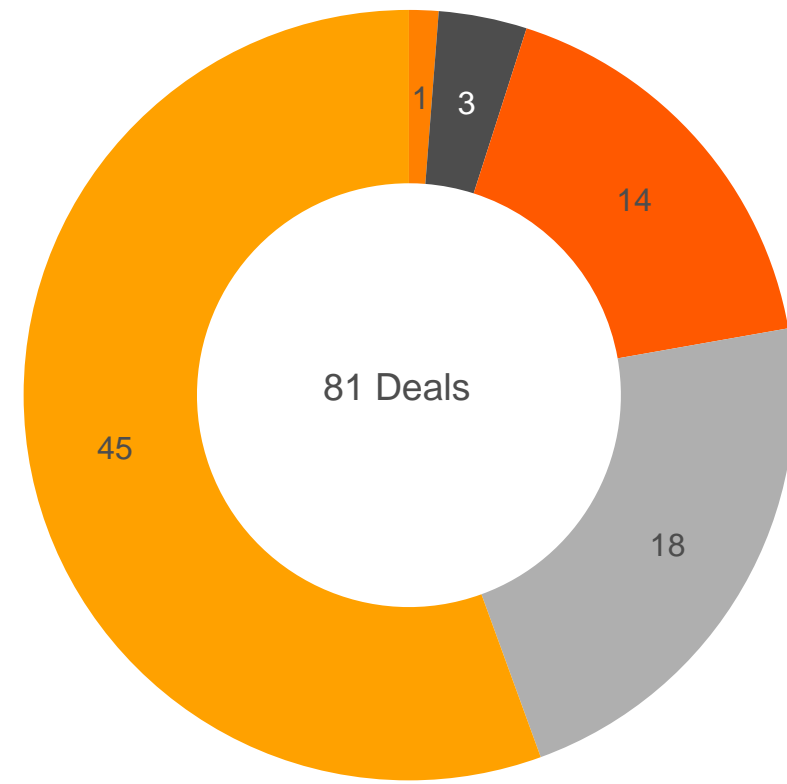
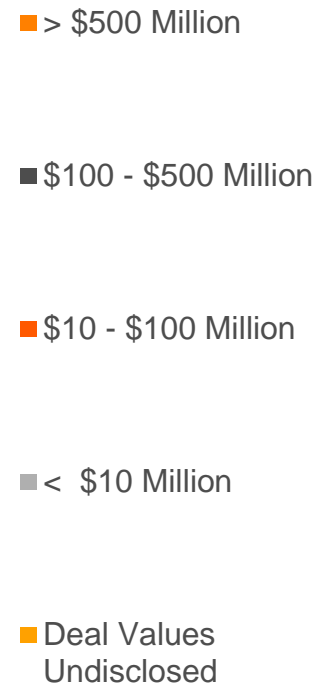
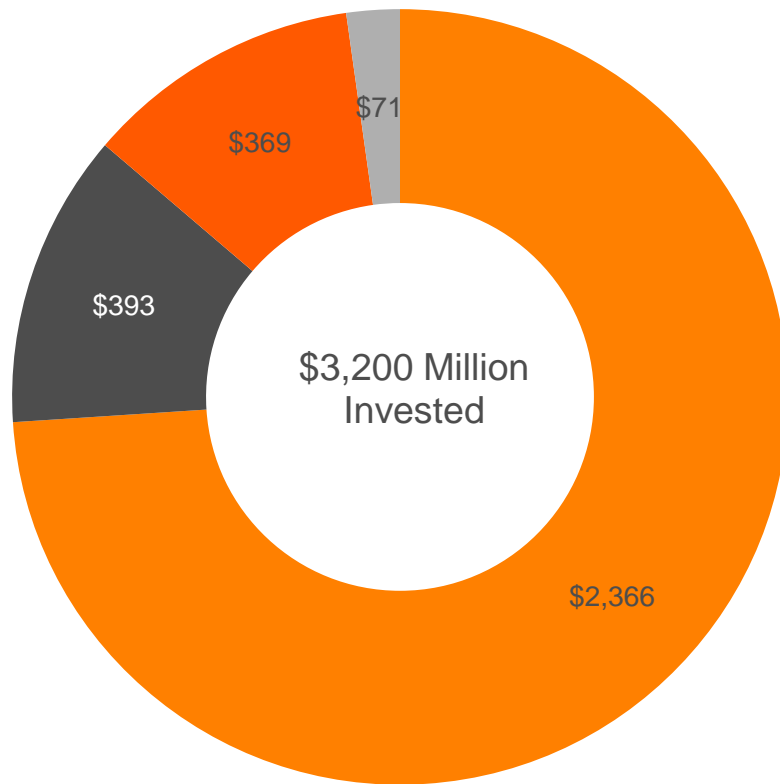


# Top Canadian Private Equity Deals, Q1 2017

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	Restaurant Brands International	\$2,366	Oakville, ON	Consumer Related	3G Capital, Berkshire Partners
2	JemPak	\$135	Oakville, ON	Consumer Related	Acasta Enterprises
3	Accedian Networks	\$133	Montreal, QC	Software	Bridge Growth Partners
4	Kineticor Resource Corp.	\$125	Calgary, AB	Energy & Environmental	OPTrust
5	Falco Resources	\$50	Montreal, QC	Mining	Desjardins, Investissement Québec, SIDEX
6	TimberRock Energy Corp.	\$39	Calgary, AB	Oil & Gas	Azimuth Capital Management, Tudor Pickering Holt & Co.
7	Norbec Group	\$39	Boucherville, QC	Construction & Engineering	Desjardins, Business Development Bank of Canada
8	Eddyfi	\$37	Quebec, QC	Construction & Engineering	Caisse de dépôt et placement du Québec
9	Highland Copper Company	\$30	Longueuil, QC	Mining	Orion Mine Finance, Greenstone Capital
10	Serres Demers	\$27	Saint-Nicolas, QC	Consumer Related	Desjardins, Fonds de Solidarité FTQ

## Canadian PE-Buyout Investment by Deal Size Range

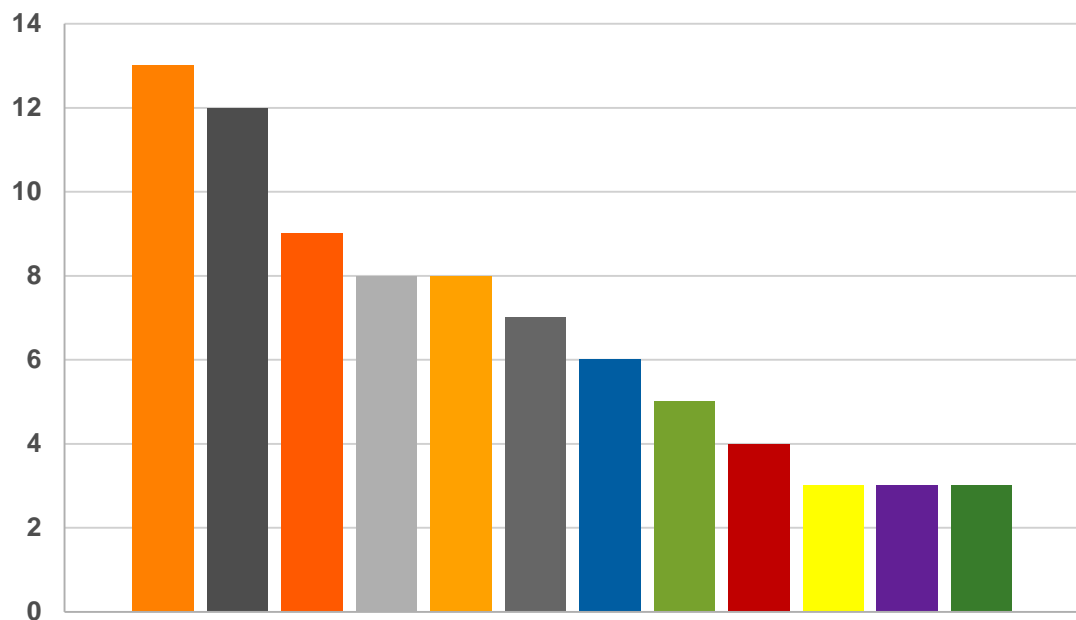
Canada saw only 3 mid-market deals between \$100 and \$500 million in the first quarter, compared to five such deals in the same period last year, and seven in Q1 2015.



# Canadian PE-Buyout Investment by Sector

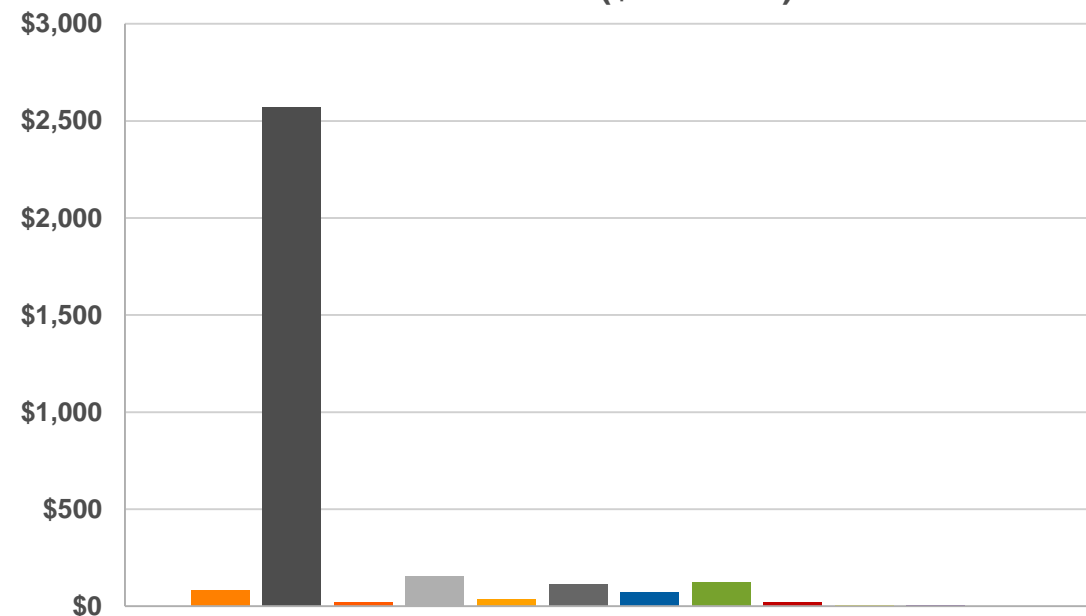
First quarter investment was led by Restaurant Brands' PE-backed acquisition of Popeye's Chicken. Business Services & Consumer-Related companies drove deal volumes.

Q1 2017 Total # of Deals



- Business Services
- IT & Media
- Healthcare & Life Sciences
- Consumer Related
- Mining
- Transportation

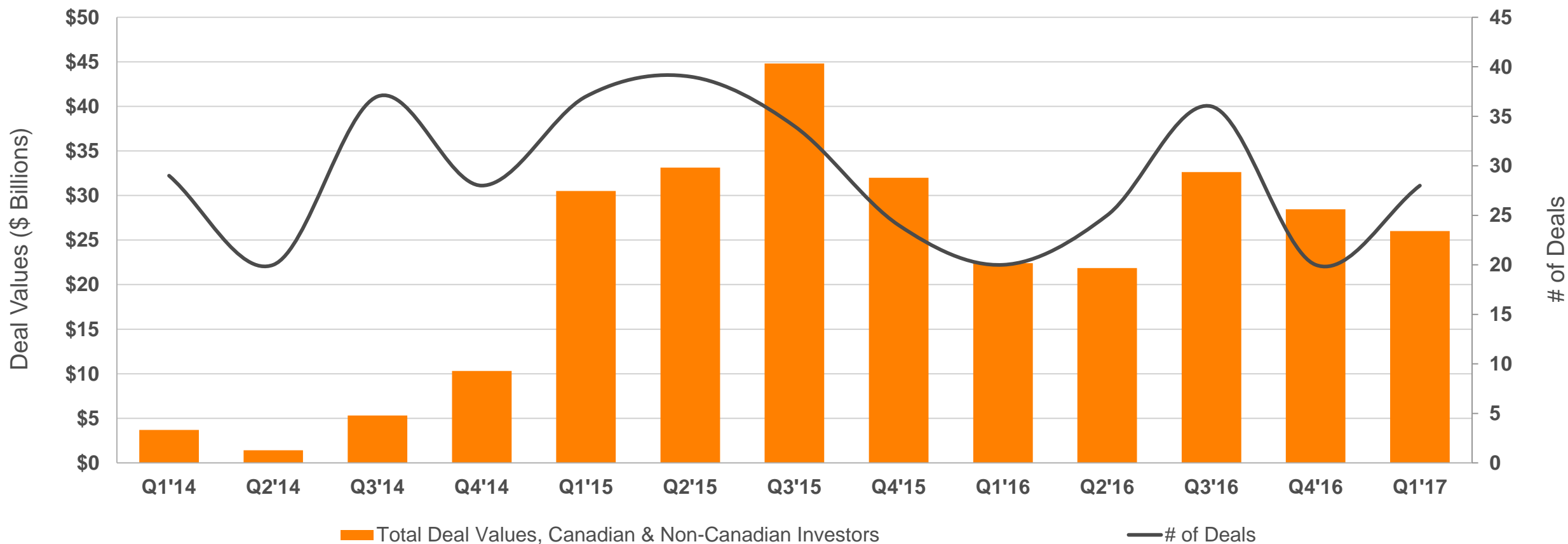
Q1 2017 Total Deal Values (\$ Millions)



- Manufacturing
- Oil & Gas
- Forestry & Agriculture
- Software
- Energy & Environmental
- Finance

# PE Investments by Canadian Firms in non-Canadian Companies

Canadian firms' participation in 28 deals valued at \$26 billion in Q1 was up by 16% from the same period last year, but still fell 15% short of the lofty investment levels seen in Q1 2015.

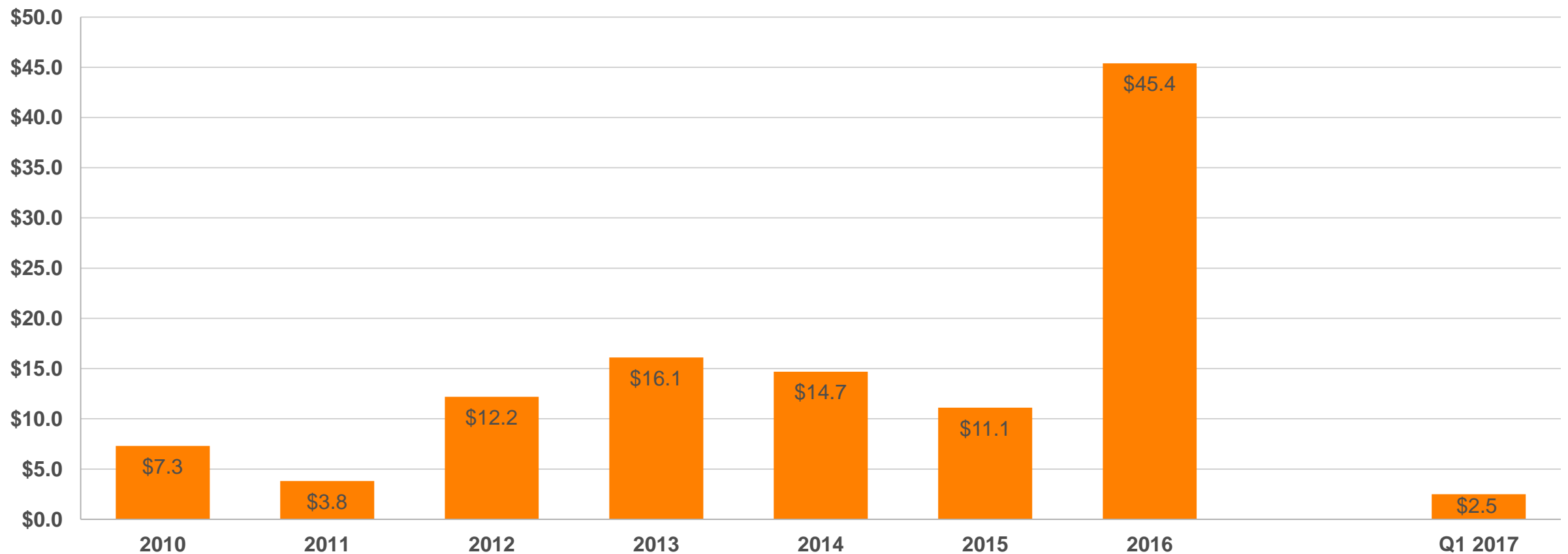


# Top PE Investments by Canadian Firms in non-Canadian Companies, Q1 2017

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Billions)	Location	Sector	Investing Firms (Disclosed)
1	TeamHealth Holdings	\$8.0	Knoxville, TN	Healthcare Services	Caisse de dépôt et placement du Québec, Blackstone Group, PSP Investments
2	USI Holdings Corp.	\$5.7	Valhalla, NY	Insurance	Caisse de dépôt et placement du Québec, KKR
3	GE Water & Process Technologies	\$4.6	Trevose, PA	Water Treatment	Caisse de dépôt et placement du Québec, Suez
4	Parkdean Resorts UK Ltd.	\$2.2	Newcastle, UK	Holiday Resorts	ONEX Corporation
5	Silver Bay Realty Trust Corp.	\$1.8	Plymouth, MN	Property Management	Tricon Capital Group
6	Bharti Infratel Ltd.	\$1.3	New Delhi, IN	Telecommunications	CPPIB, KKR
7	TerraForm Global Inc.	\$1.1	Bethesda, MD	Clean Energy	Brookfield Asset Management
8	Bangalore International Airport Ltd.	\$0.5	Bangalore, IN	Aviation	Fairfax India Holdings Corp
9	Kotak Mahindra Bank Ltd.	\$0.5	Mumbai, IN	Banking	Caisse de dépôt et placement du Québec, CPPIB
10	Trilogy International Partners LLC	\$0.4	Bellevue, WA	Telecommunications	Alignvest Capital Management

## PE-Buyout Fundraising by Canadian Firms

A total of ten Canadian private equity, buyout, and infrastructure funds raised a total of just \$2.5 billion in Q1 2017. This comes on the heels of 2016, the strongest year for PE fundraising on record.

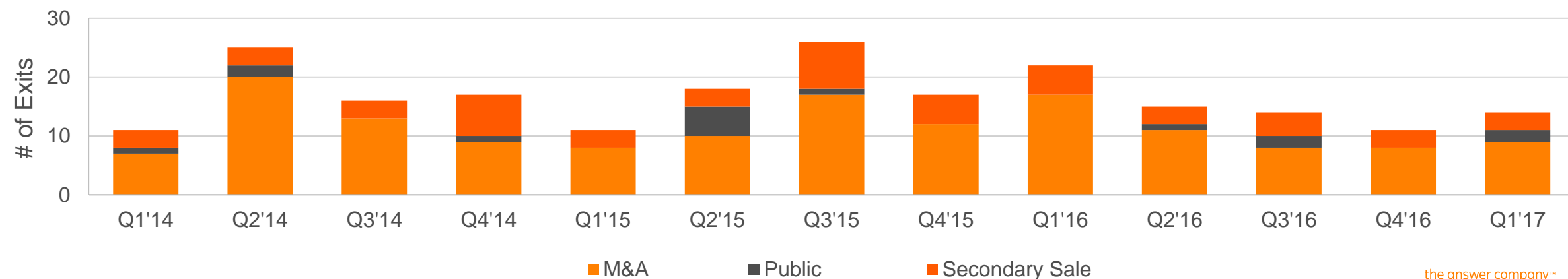




# Canadian PE-Backed Exits

With only 14 disclosed exits completed in Q1 2017, exit volumes fell 36% compared to the same period last year, but were up 27% from Q1 2015.

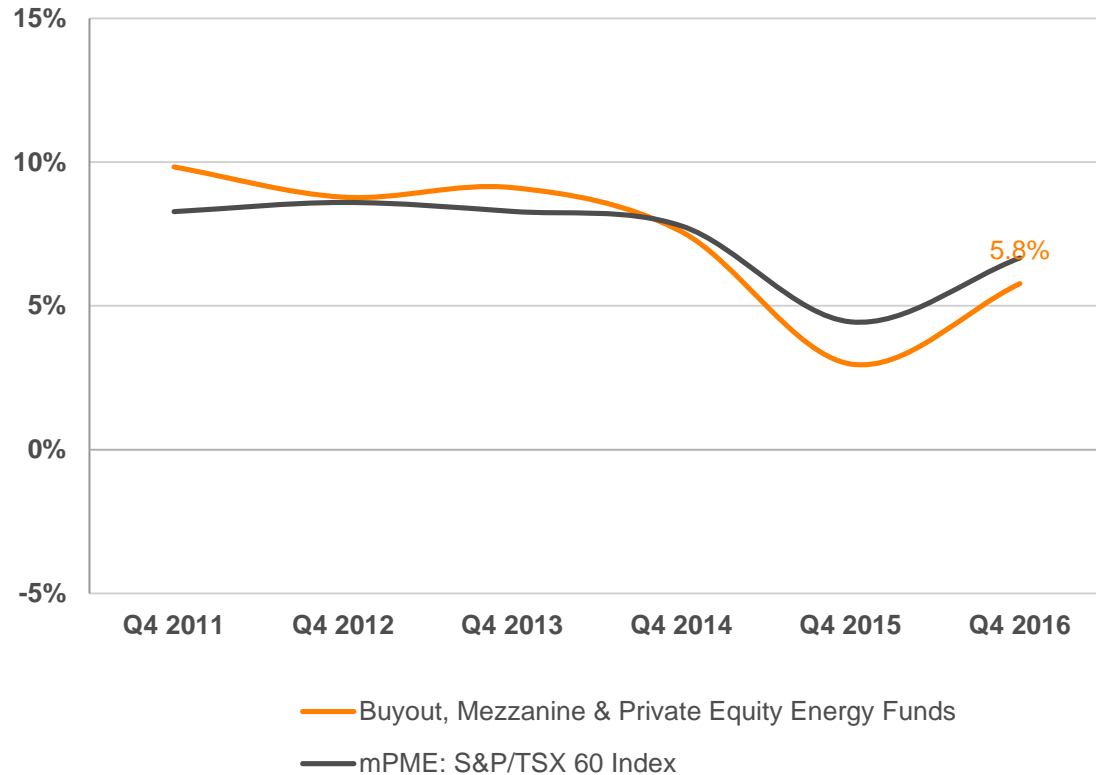
Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investors (Disclosed)
1	Reliance Home Comfort LP	\$2,802	Oshawa, ON	HVAC Systems	CKP Canada
2	Performance Sports Group Ltd	\$771	Mississauga, ON	Athletic Goods	Sagard Capital Partners
3	Canada Goose	\$391	Toronto, ON	Clothing Retailer	Bain Capital
4	Spur Resources Ltd	\$388	Calgary, AB	Oil & Gas	Tamarack Valley Energy
5	Discovery Air, Inc.	\$215	Etobicoke, ON	Aviation	Clairvest Group



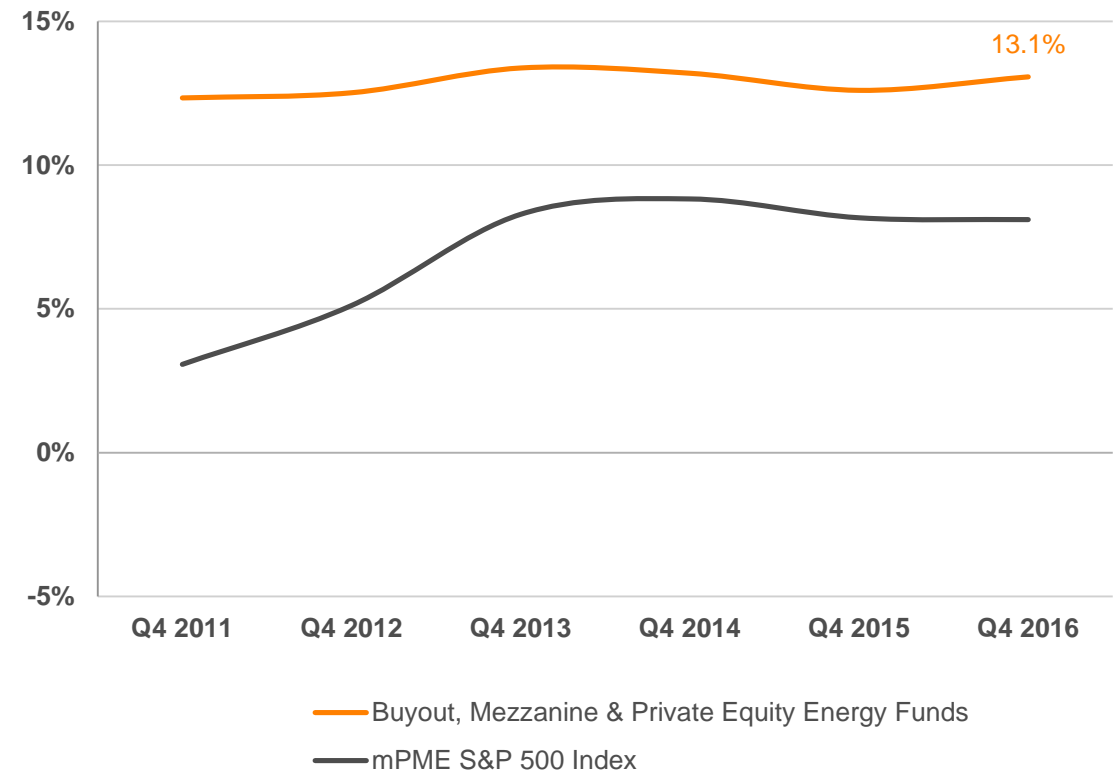
# Cambridge Associates: Private Equity Fund Performance

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 US dollars, from inception to the end of the indicated quarter, under preliminary data mode Q4 2016. Preliminary dataset approximately 65% updated; results subject to change. 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 Wednesday, April 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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