

Canadian Private Equity Buyout Review

FIRST QUARTER 2019

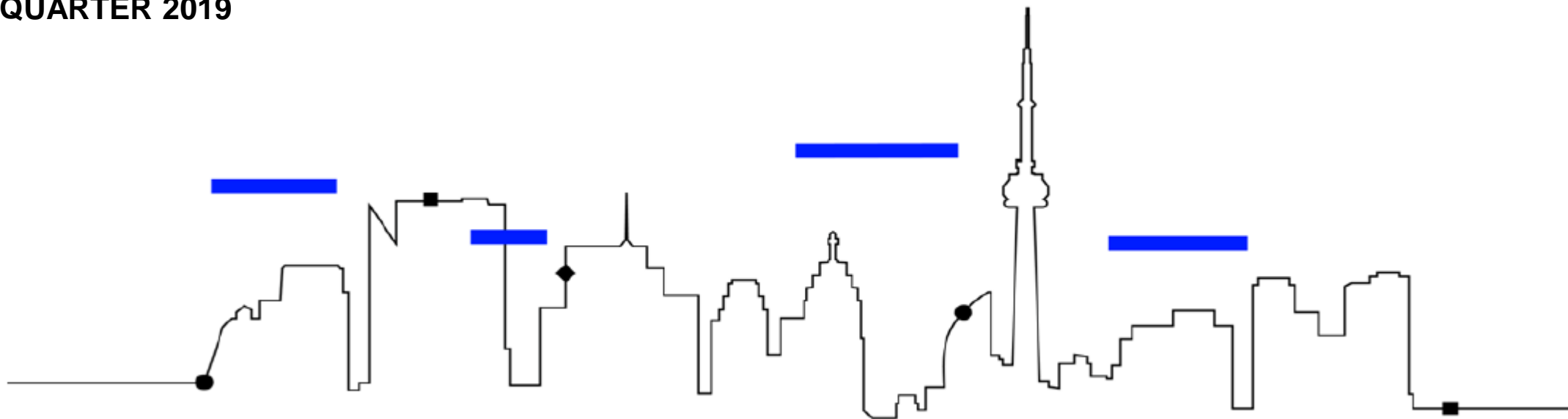


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Canadian Private Equity Buyout Market Activity in Q1 2019

Canadian Buyout-PE Market Trends

Despite Canada seeing a record-breaking 2018 in terms of investment from buyout and related private equity investors thanks to a number of large-scale deals, the first quarter of 2019 saw few such large transactions. With \$4.9 billion in deals completed from January to March, collective deal values were a fraction of what they had been in previous quarters, down 50% from the same period last year. There were, however, a total of 90 transactions over the period, up 8% over the first quarter of 2018.

Canadian Market Trends by Sector & Stage

The largest private equity deals were confined to the Oil & Gas and the Business Services sectors, which took \$1.9 and \$1.4 billion dollars respectively. Brookfield's BGIS was sold to CCMP Capital Advisors for \$1.3 billion in the largest deal of the quarter, and the formation of SemCAMS Midstream with equity invested by SemGroup and KKR ranked second. Third, Cogeco Peer 1, an IT solutions company, was acquired by Digital Colony for \$720 million.

In an unusual move, private investment in public equities transactions fell to only 6% of all deals in Q1, far below their usual share. Add-on acquisition deals continued to see an increase in popularity, comprising 36% of all PE deal-making in Q1 2019.

Continuing another recent trend, United States firms became even more active in participating in Canadian deals. Canadian investors participated in just 59% of all Canadian PE buyout deals in Q1 2019, down from a 77% participation rate just five years ago. Participation by United States investors came to 40% of all deals in Q1 2019, an all-time high.

Canadian Private Equity Buyout Market Activity in Q1 2019

Canadian Fund Performance

The performance of Canadian buyout, private equity energy, and subordinated capital funds continued to show slight underperformance to public market comparators through to the first nine months of 2018. Published data provided by Cambridge Associates shows Canadian buyout, private equity energy, and subordinated capital funds with vintage years of 2000 or greater returning a since inception IRR of 5.7% as of the end of Q3. This lags far behind their US counterparts which showed consistent outperformance of public markets and a since inception IRR of 13.0%.

Canadian Market Trends by Region

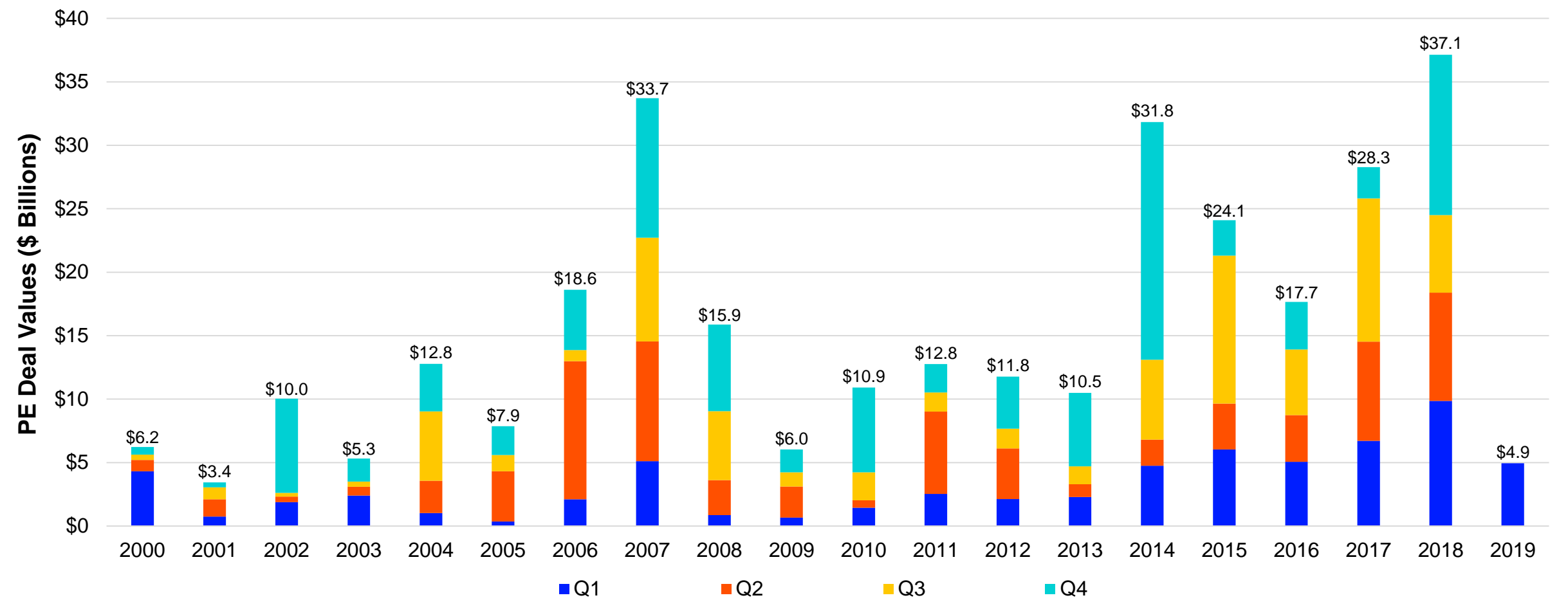
Calgary-based companies received the most investment in Q1 for our city rankings, with \$2.1 billion, or 42% of the national total. While Montréal-area companies did not take in the most capital, they did see 19 investments in the quarter, the most active among all Canadian cities. Québec, with 38 deals overall, saw the largest proportion of any province, at 42% of all PE dealmaking. This mostly came at the expense of Ontario, which had a 27% share of Dealmaking in Q1, far below its recent averages.

Canadian Investor Activity in Global Markets

Canada Pension Plan Investment Board, as usual, participated in many of the largest deals of the quarter outside of Canada but featuring Canadian investors, including the top three. CPPIB invested in the \$14.4 billion deal to acquire Ultimate Software of Weston, FL, a provider of human capital management software. They were also involved in the sale of Williams Cos pipeline assets in the Marcellus and Utica shale basins of Tulsa, OK, in a \$5.1 billion deal; as well as in London, UK-based provider of inflight broadband Inmarsat, which secured \$4.5 billion.

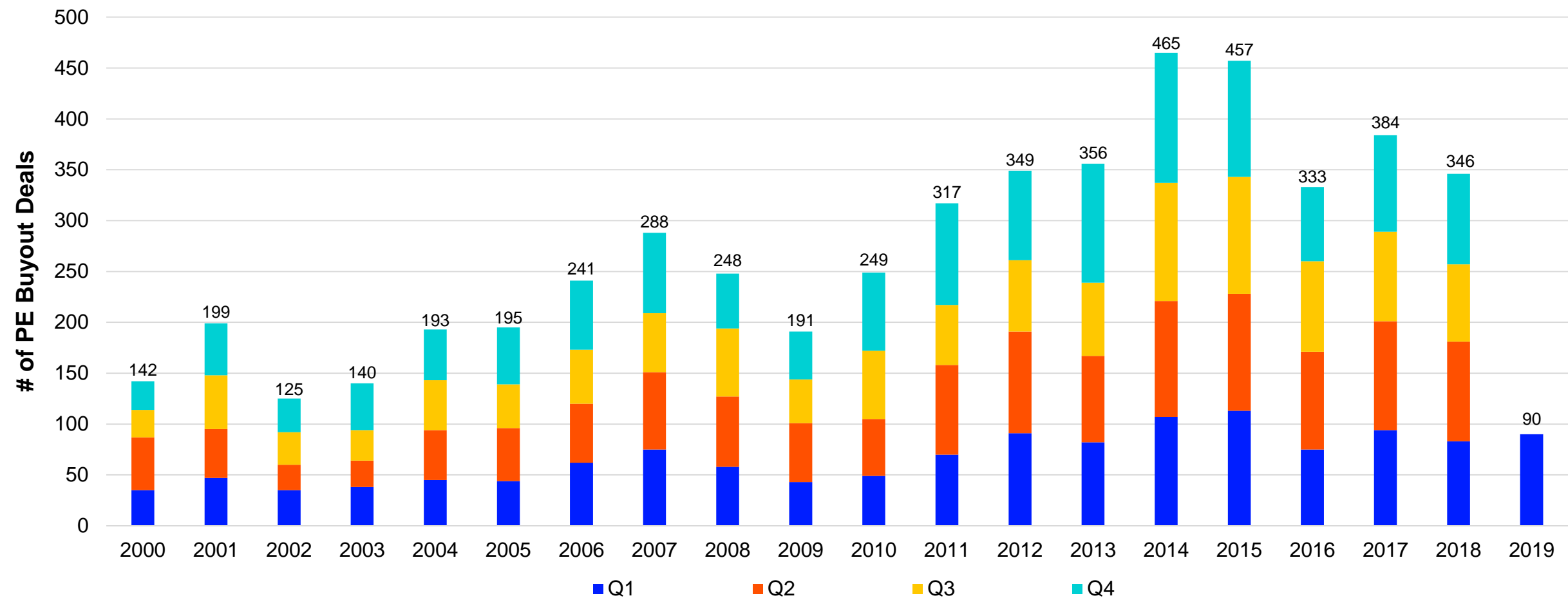
Historical Investment in Canadian Companies: PE Buyout Deal Values

Canadian companies announced few large deals in Q1. With only \$4.9 billion in deals completed, deal values fell 61% quarter-over-quarter, 50% from Q1 2018, and 26% from Q1 2017.



Historical Investment in Canadian Companies: PE Buyout Deal Volumes

A total of 90 buyout and related private equity deals were completed between January and March, up 8% from Q1 2018, and 1% from the previous quarter.

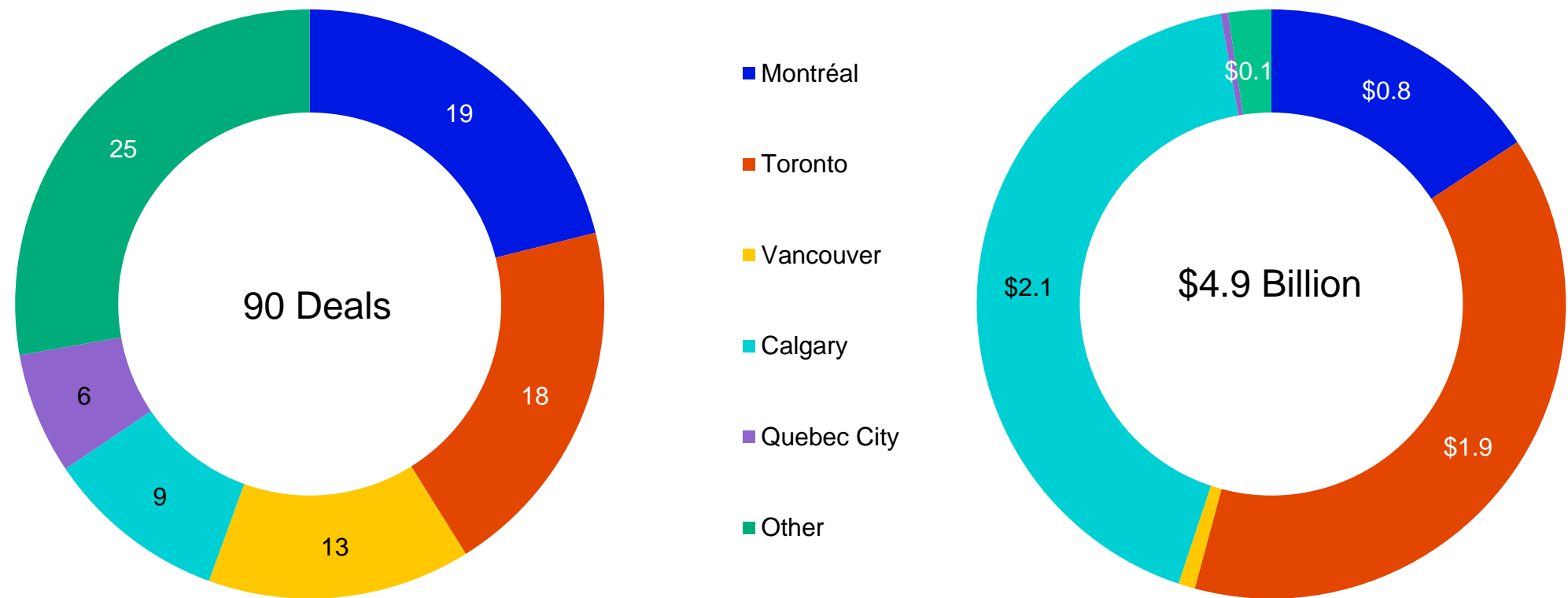


Top Canadian Private Equity Deals First Quarter 2019

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	BGIS	\$1,338.9	Markham, ON	Real Estate Management	CCMP Capital Advisors
2	SemCAMS Midstream (Platform creation)	\$1,050.0	Calgary, AB	Oil & Gas	SemGroup, KKR
3	Cogeco Peer 1	\$720.0	Montréal, QC	ICT Solutions	Digital Colony
4	SemCAMS Midstream (Meritage Midstream asset acquisition)	\$600.0	Calgary, AB	Oil & Gas	SemGroup, KKR
5	Gluskin Sheff + Associates	\$445.0	Toronto, ON	Wealth Management	Onex
6	Campus Energy Partners	\$165.0	Calgary, AB	Energy Infrastructure	Birch Hill Equity Partners
7	Cobalt 27 Capital Corp	\$96.0	Toronto, ON	Cobalt	Pala Investments
8	Steel Reef Infrastructure Corp	\$90.5	Calgary, AB	Oil & Gas Infrastructure	PFM Capital, InstarAGF
9	Kineticor	\$85.0	Calgary, AB	Power Generation	OPTrust
10	Canadian Non-Operated Resources	\$85.0	Calgary, AB	Oil & Gas	Riverstone Holdings

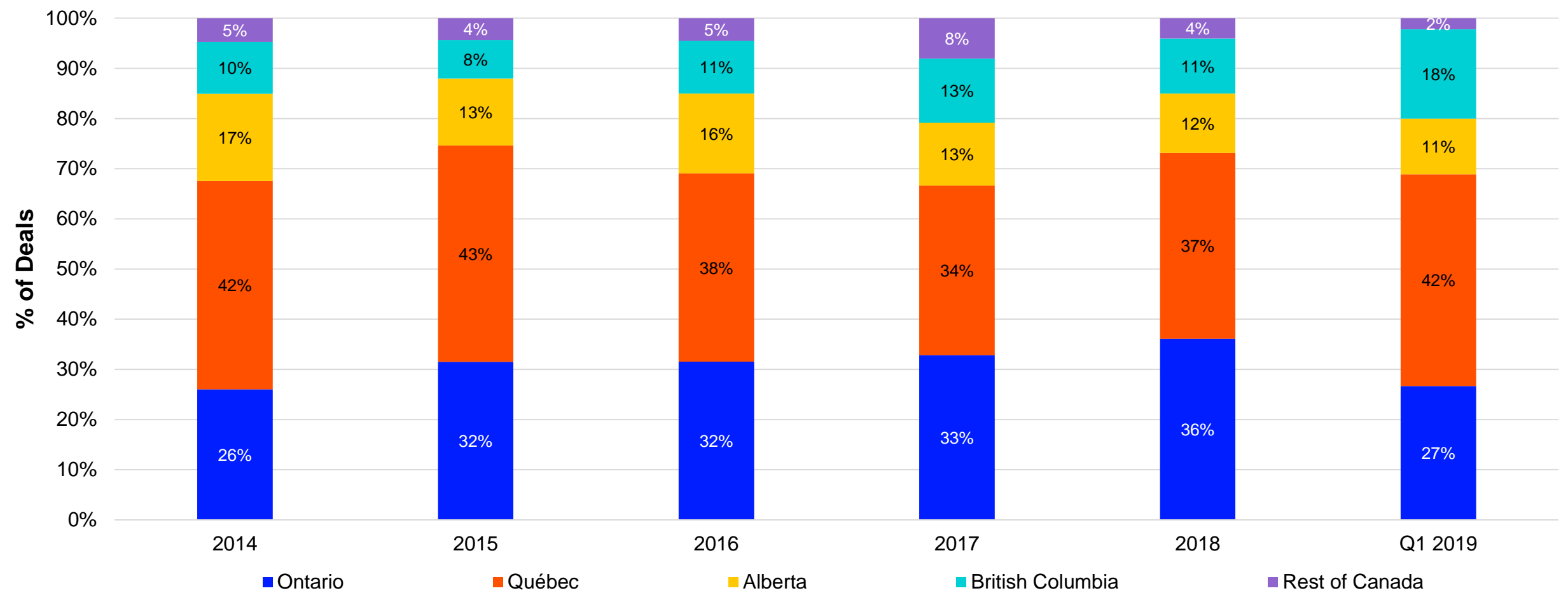
Canadian PE Buyout Investment, Top Five Urban Regions

Calgary had 5 oil & gas deals over \$50 million, and saw all of its Q1 PE collectively valued at \$2.1 billion, more than Toronto at \$1.9 billion. Montréal saw the most deals at 19 for the quarter, but with a collective valuation of a lesser \$777 million.



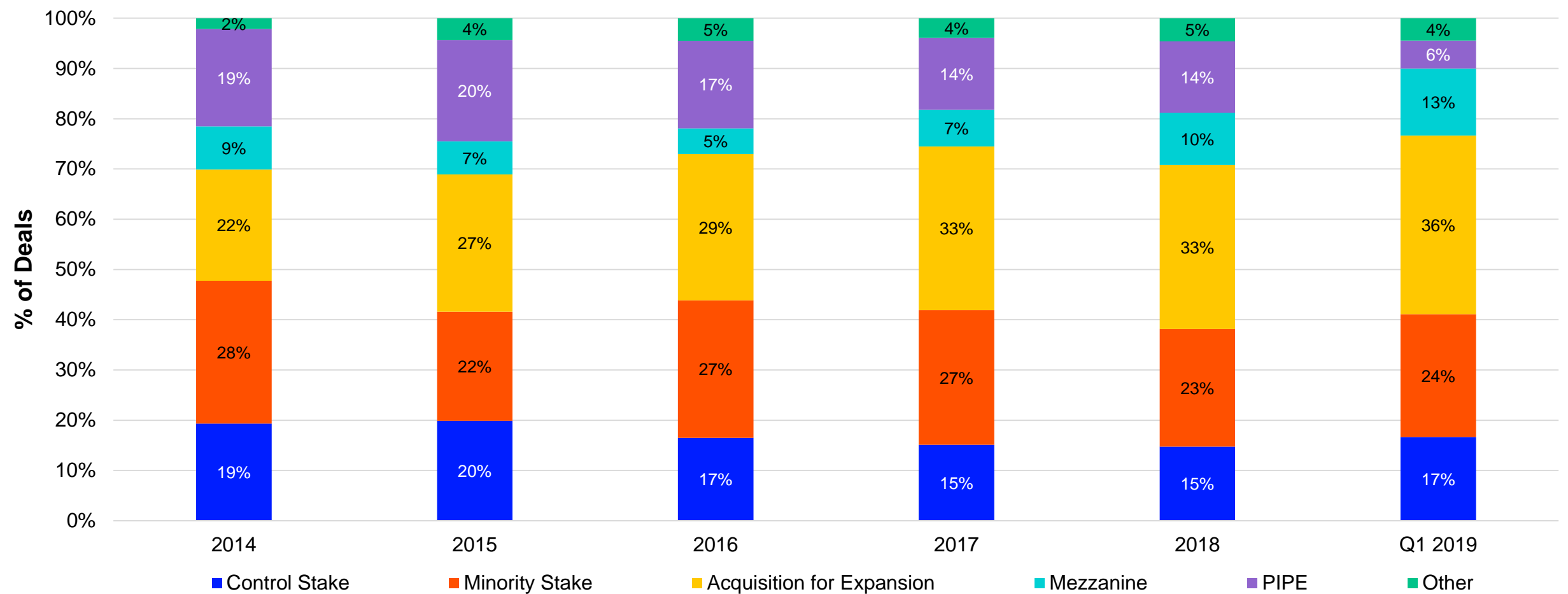
PE Buyout Dealmaking: Deal Volume by Company Province

Québec comes out ahead in the first quarter, with 38 deals, or 42% of al deal volume, a share not seen since 2015. While deal values were down in British Columbia, the province collected 18% of all deals, a year-to-date all-time high.



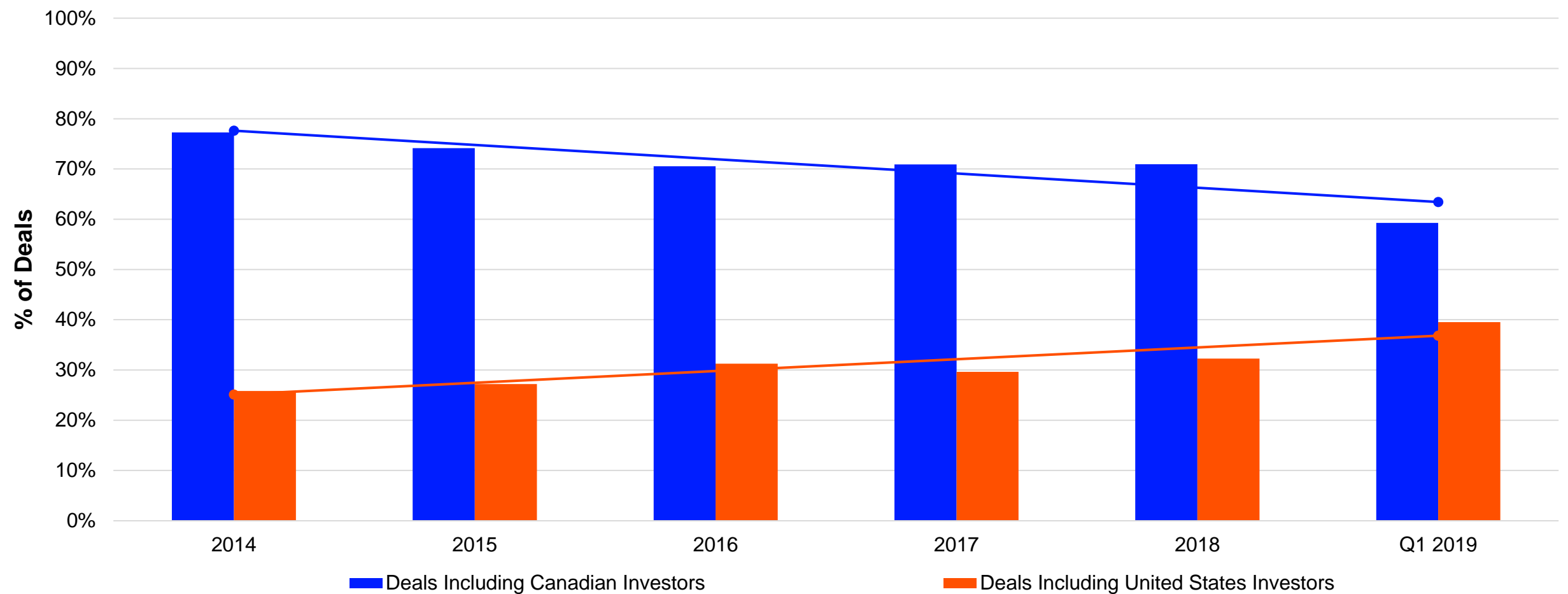
PE Buyout Dealmaking: Deal Volumes by Transaction Type

Private Investment in Public Equities transactions increasingly infrequent, comprising only 6% of all deals in Q1 2019. Add-on acquisitions grew to 36% of dealmaking with 32 deals in the first quarter.



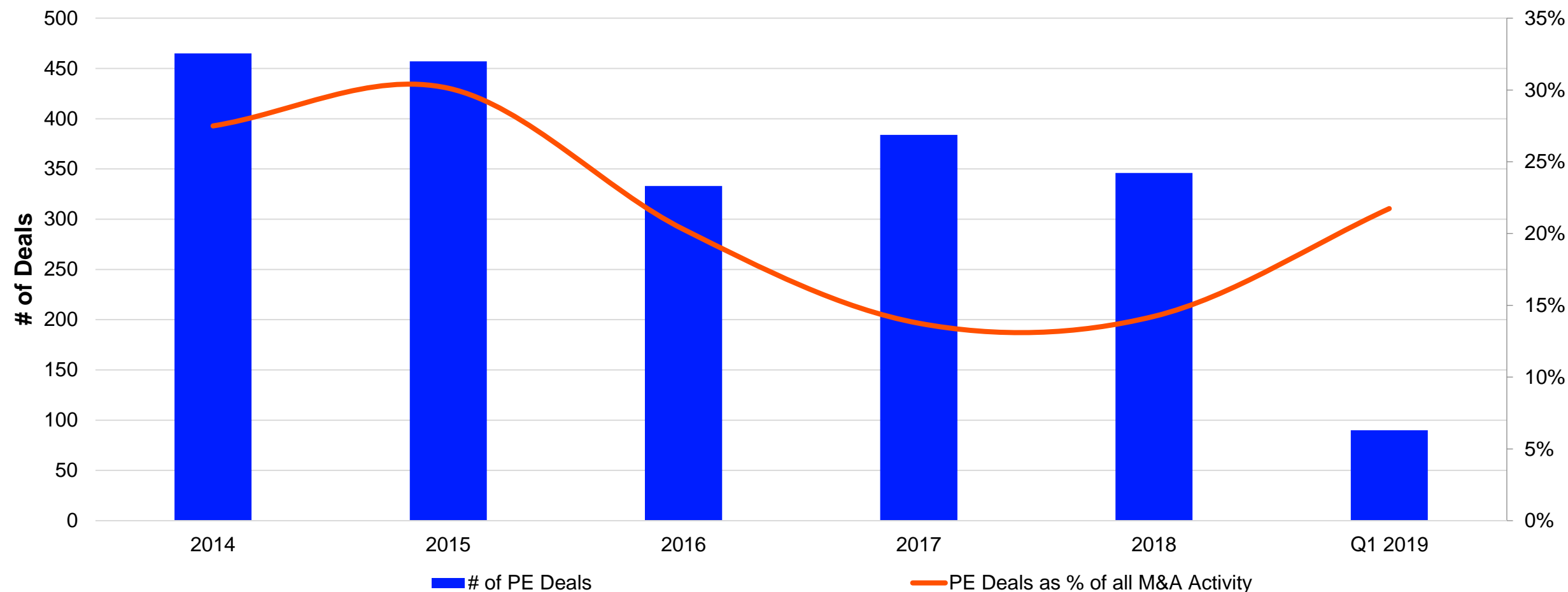
PE Buyout Dealmaking: Deal Volumes by Investor Location

Canadian investors participated in just 59% of all Canadian PE buyout deals in Q1 2019, down from a 77% participation rate just five years ago. Participation from United States investors came to 40% of all deals in Q1 2019, an all-time high.



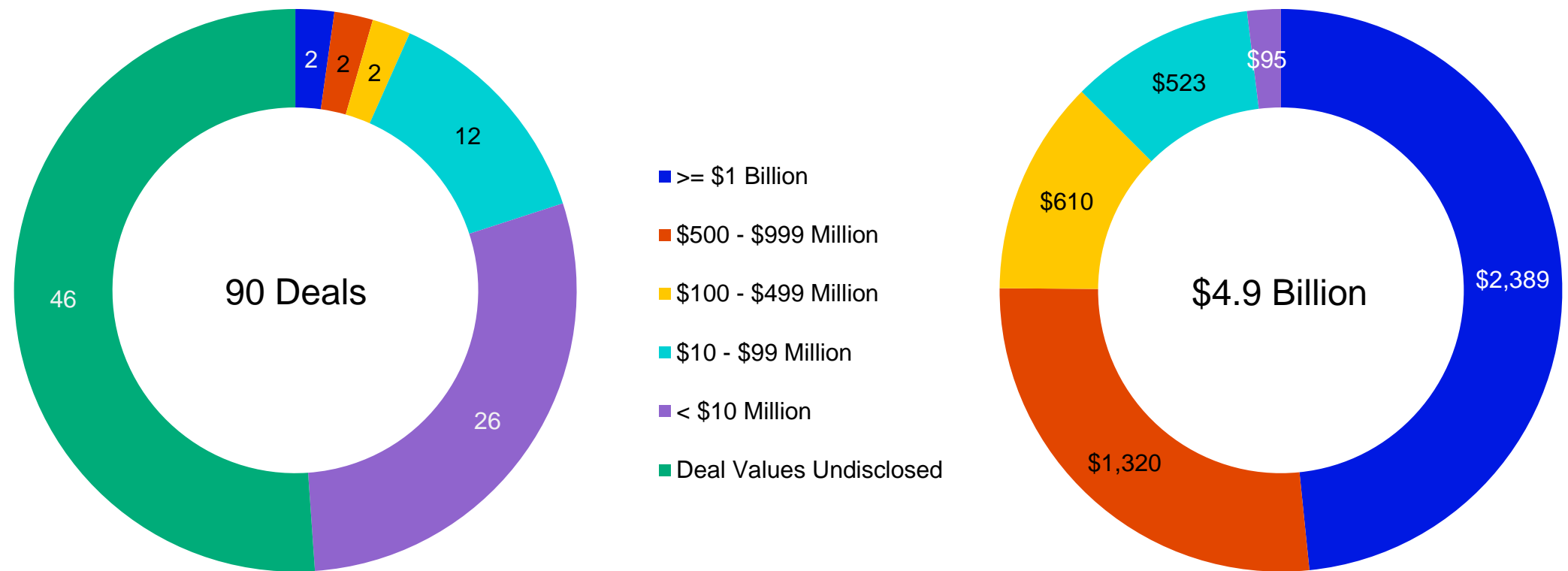
PE Buyout Dealmaking Versus All M&A of Canadian Targets

While Canadian buyout deal volumes were up 8% year-over-year, Canadian M&A deal volumes declined by 39% in Q1, resulting in PE deals' share of traditional M&A climbing to 22%, a level not seen since 2016.



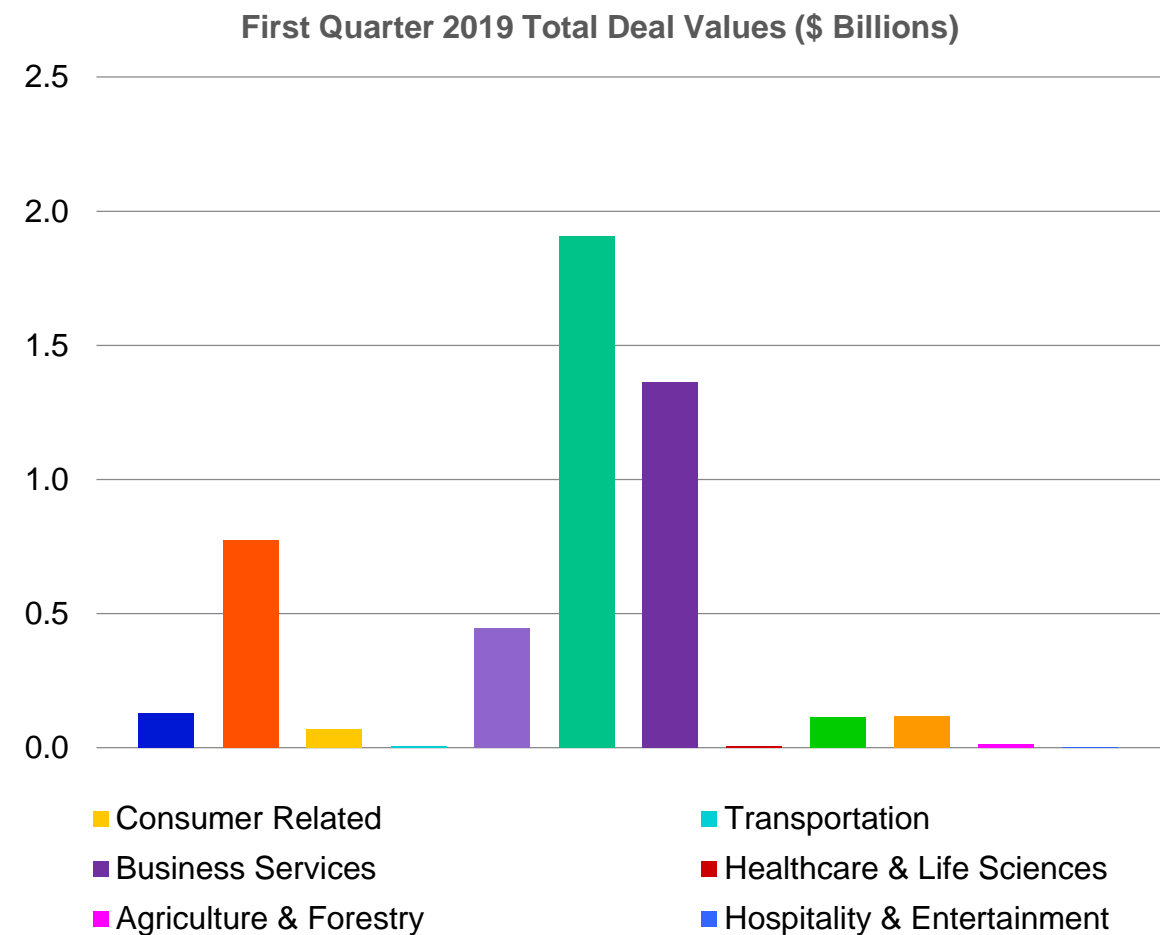
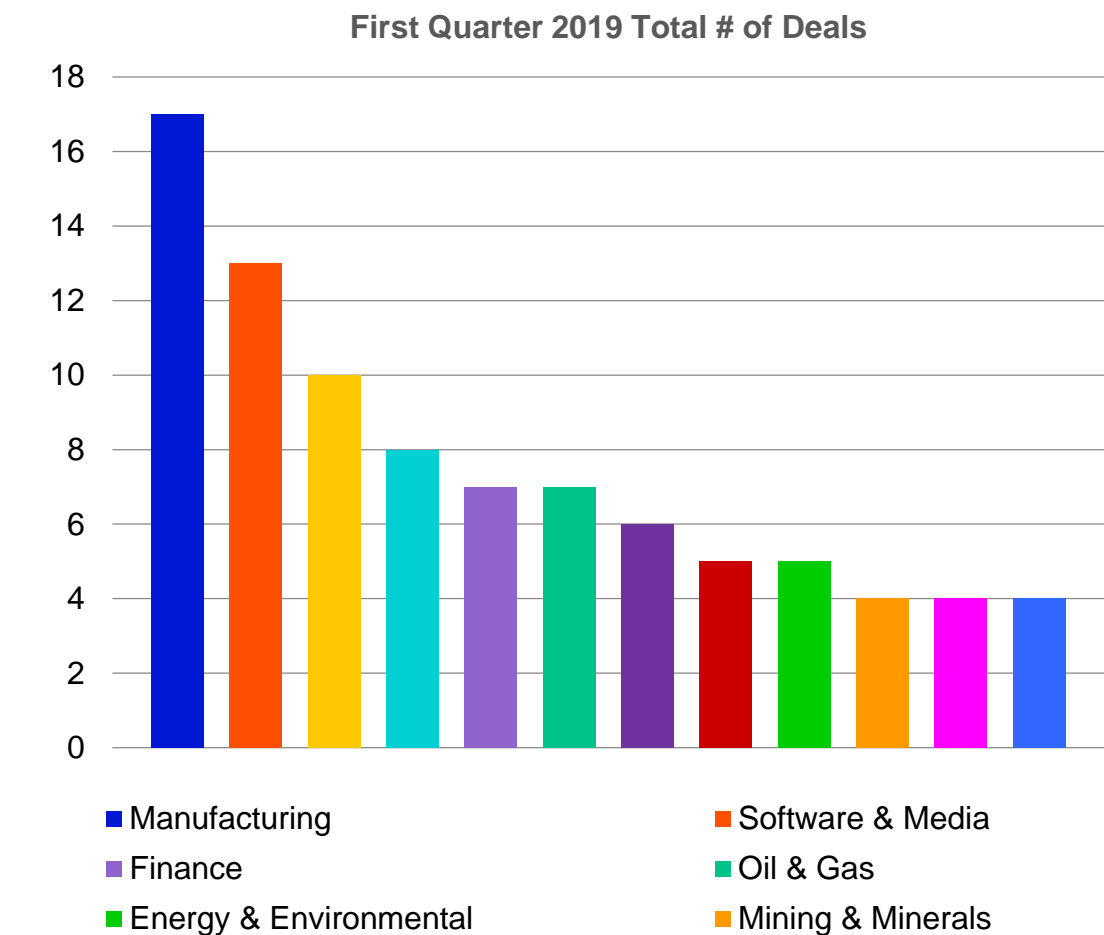
Canadian PE Buyout Investment by Deal Size Range

The top two deals of the year; BGIS and SemCAMS Midstream, accounted for \$2.4 billion, or 48% of total Q1 2019 deal values.



Canadian PE Buyout Investment by Sector, First Quarter 2019

Companies within the Manufacturing sector comprised 19% of all deals recorded during the period. Oil & Gas companies captured the largest share of deal values with \$1.9 billion, or 39%.

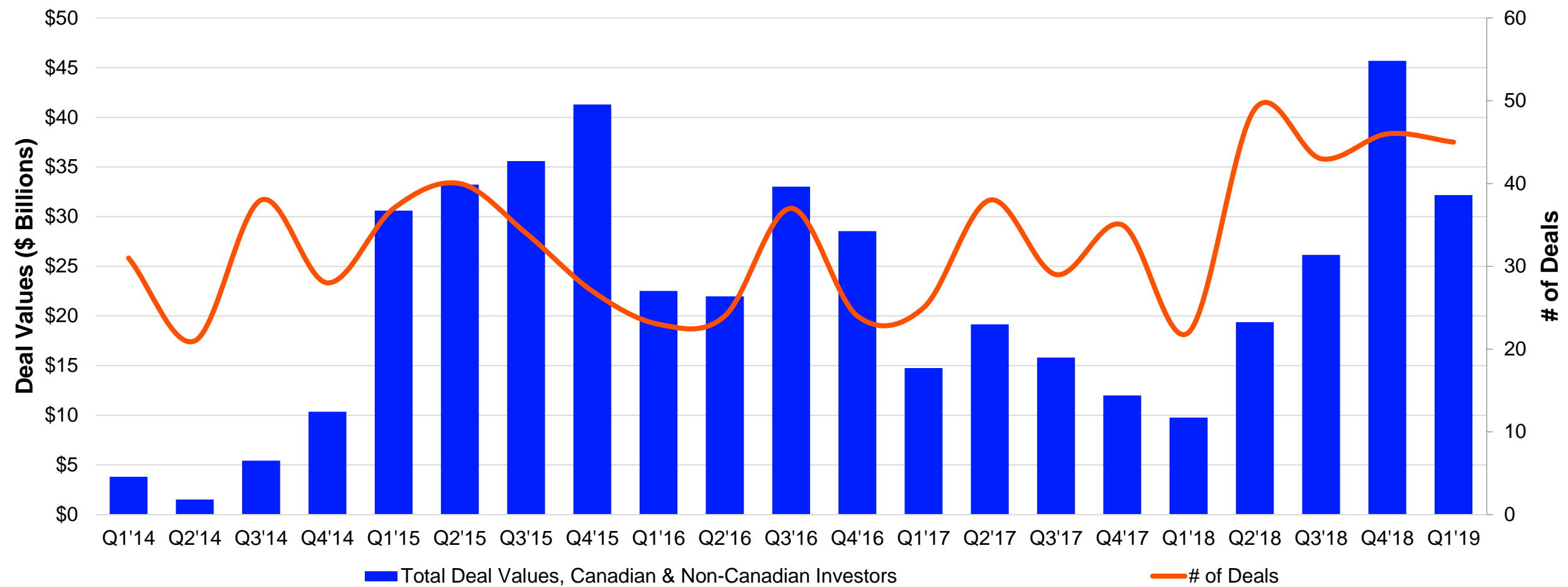


Top PE Investments by Canadian Firms in Non-Canadian Companies First Quarter 2019

Portfolio Company					Canadian Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	Ultimate Software	\$14,421	Weston, FL	Human Capital Management	Canada Pension Plan Investment Board
2	Williams Cos - Marcellus and Utica Shale Unit	\$5,067	Tulsa, OK	Pipeline Assets	Canada Pension Plan Investment Board
3	Inmarsat	\$4,529	London, UK	Inflight Broadband	Canada Pension Plan Investment Board Ontario Teachers' Pension Plan
4	Pipeline Infrastructure Private	\$2,516	India	Pipeline Assets	Brookfield Asset Management
5	Verily Life Sciences	\$1,349	South San Francisco, CA	Healthcare Research	Ontario Teachers' Pension Plan
6	Vantage Data Centers	\$897	Santa Clara, CA	Data Centers	PSP Investments
7	Hotel Leela Venture	\$768	Mumbai, India	Hotel Management	Brookfield Asset Management
8	Veeam Software	\$663	Baar, Switzerland	Backup Solutions	Canada Pension Plan Investment Board
9	Allied Universal Security Services	\$527	Conshohocken, PA	Security Services	Caisse de dépôt et placement du Québec
10	University of St. Augustine for Health Sciences	\$524	Saint Augustine, FL	Higher Education	Altas Partners

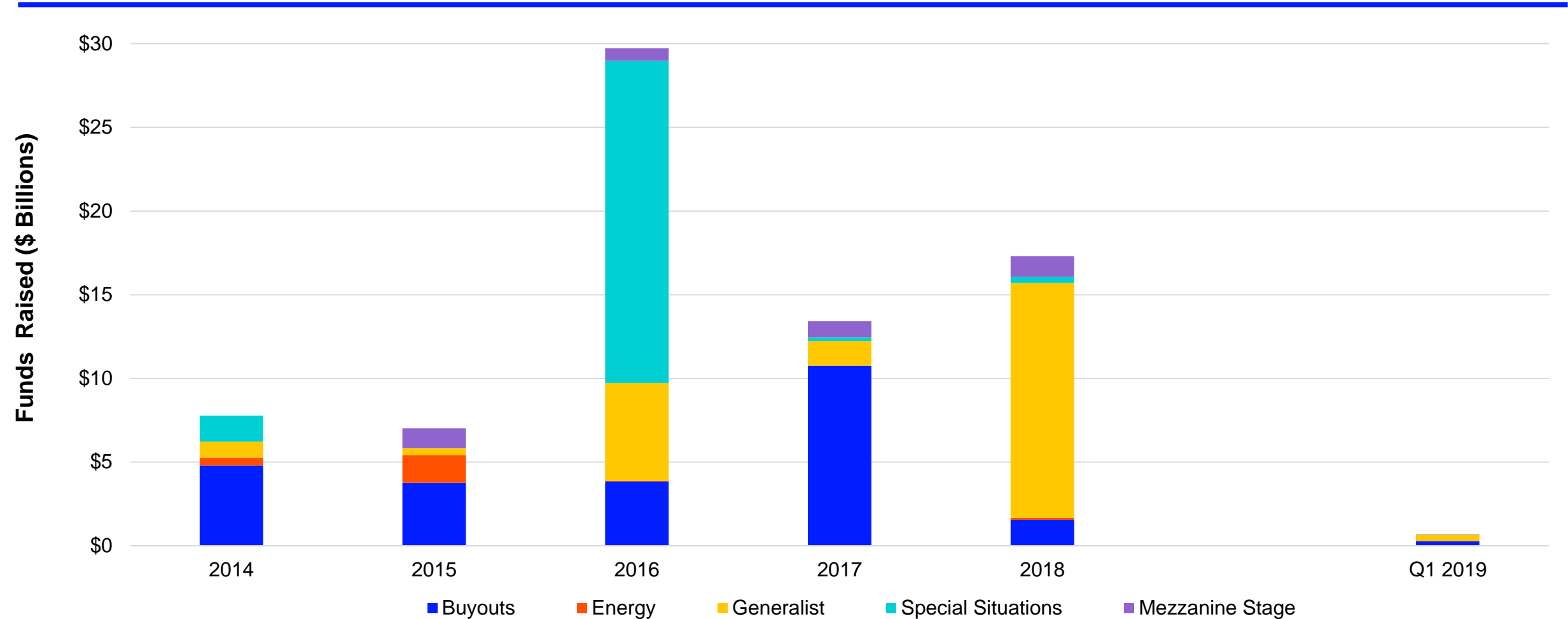
PE Investments by Canadian Firms in non-Canadian Companies

Canadian funds invested in 45 deals involving non-Canadian companies throughout Q1 2019, with collective deal values of \$32 billion, the most ever in a first quarter.



PE Buyout Fundraising by Canadian Firms

Canada saw a slow start to Q1 buyout fundraising, with 6 fund closings, all comparatively small to previous periods.

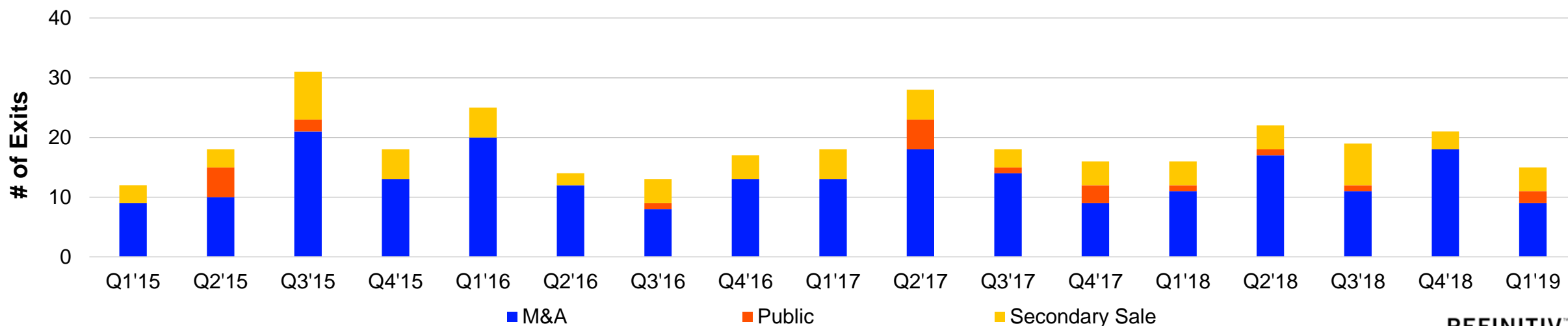


Canadian PE Backed Exits, First Quarter 2019

A total of 15 exits were completed in 2019, the fewest in any quarter in over two years, however these exits included three substantial sales and Lightspeed's \$276 million IPO.

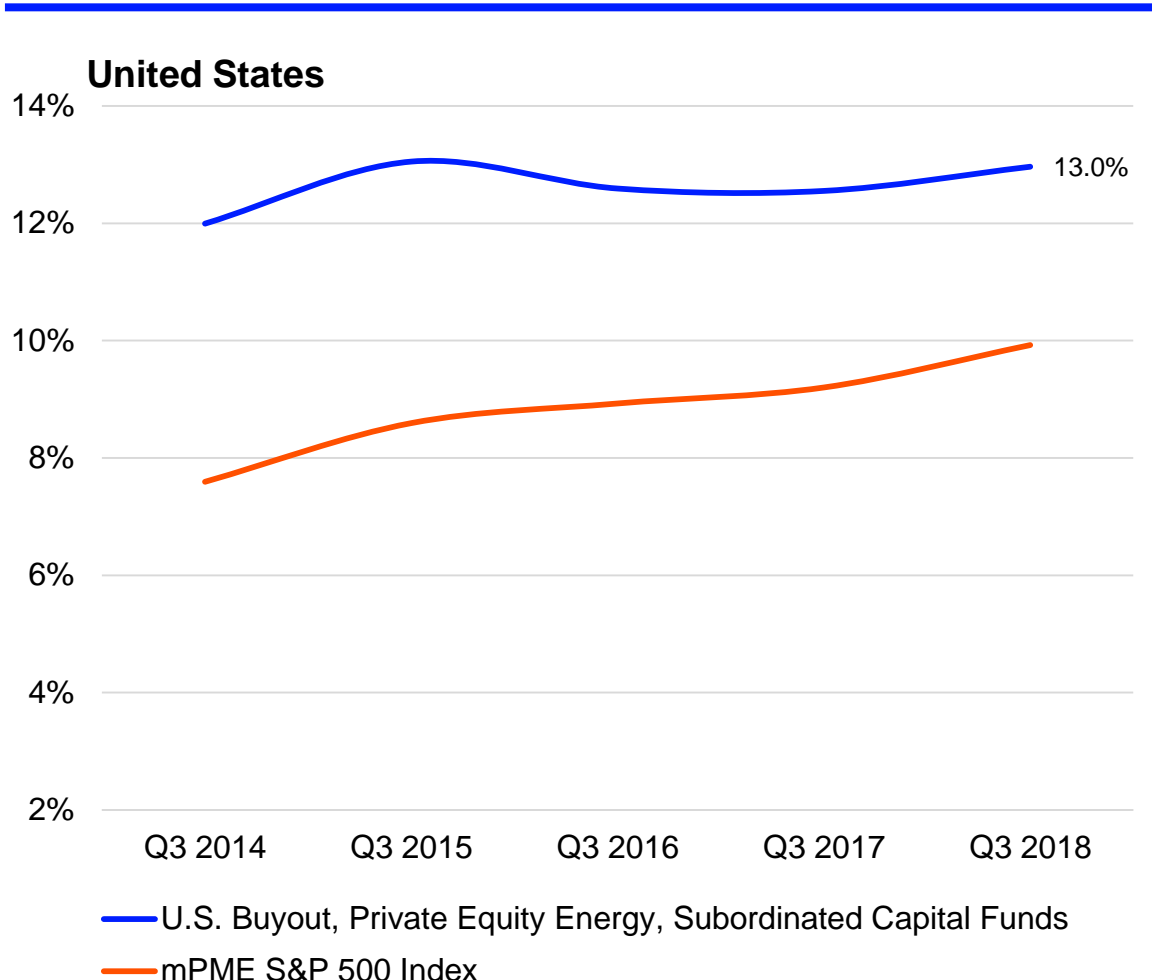
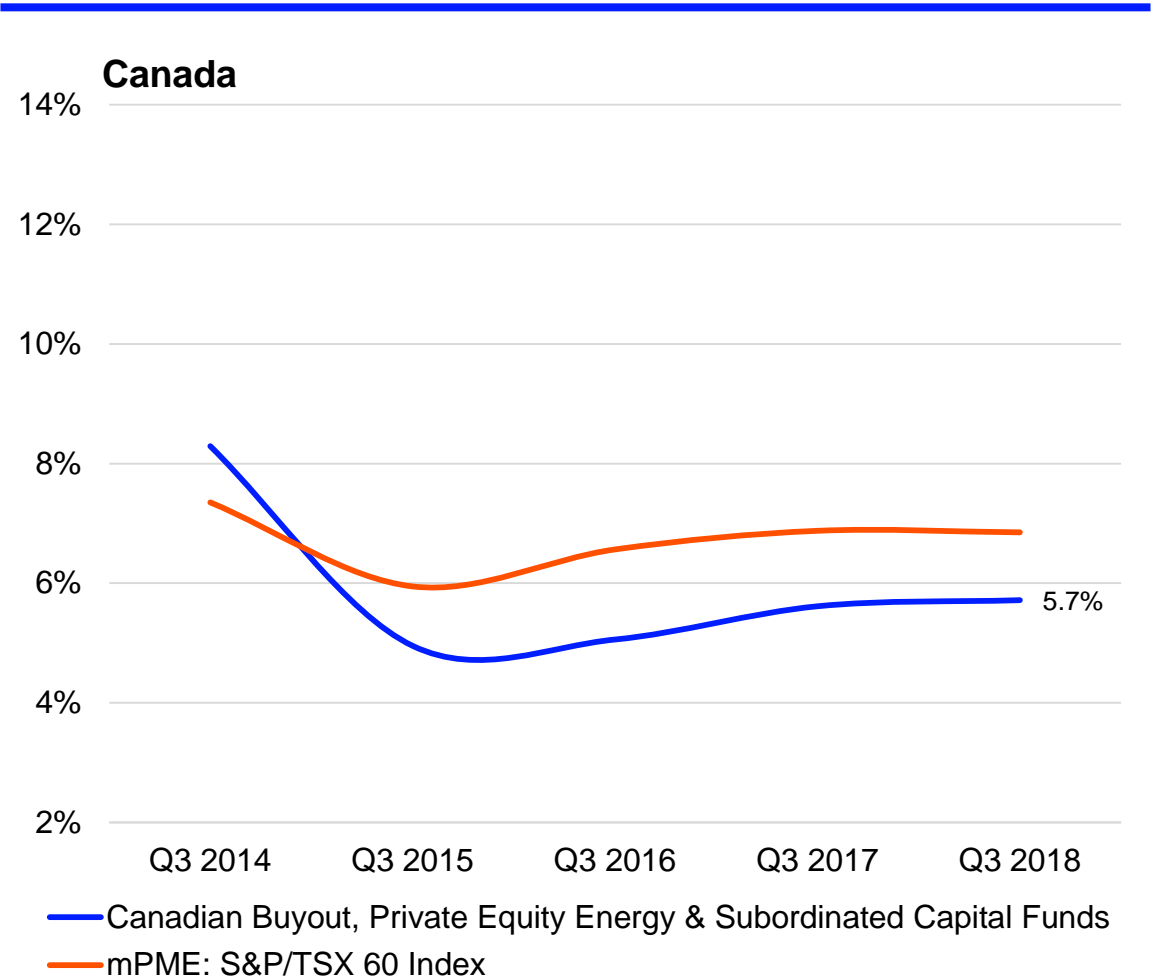
Portfolio Company

Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Exiting Investors (Disclosed)
1	BGIS	\$1,339	Markham, ON	Real Estate Management	Brookfield Asset Management
2	Fresh Hemp Foods	\$418	Winnipeg, MB	Food Products	Avrio Ventures, Business Development Bank of Canada
3	Lightspeed POS	\$276	Montreal, QC	Point-of-Sale Solutions	Accel Partners, Caisse de dépôt et placement du Québec, iNovia Capital, Investissement Quebec, Teralys Capital
4	4refuel Canada	\$261	Langley, BC	Oil & Gas	Kelso & Company, TorQuest Partners



Cambridge Associates: Buyout & Other Private Equity Fund Performance

Canadian private independent funds holding positive returns but underperforming compared to public markets, while U.S. funds outperform.



Explanatory Notes

1. Data collected and analyzed by Refinitiv for this statistical report were drawn from a variety of sources including Refinitiv M&A databases, regulatory filings, press releases, and proprietary reports from Canadian and non-resident venture capital firms, private equity firms, law firms, and other service providers.
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 Refinitiv.
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, private equity energy and subordinated capital 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, under published data mode Q3 2018. 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 Friday, April 26th, 2019. 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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