

Canadian Private Equity Buyout Review

FIRST HALF 2019

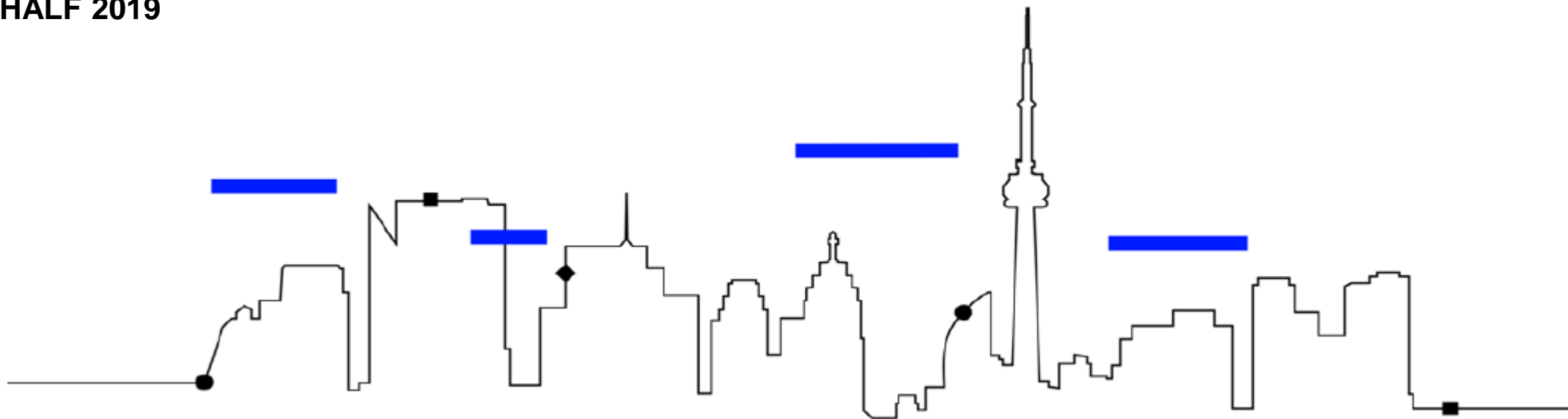


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Canadian Private Equity Buyout Market Activity in H1 2019

Canadian Buyout-PE Market Trends

Canadian buyout and related private equity deal values rebounded from a sluggish first quarter in Q2, with \$9.3 billion invested across 103 deals. This figure was up 66% from the previous quarter's deal values, and 9% year-over-year. However, the \$14.9 billion figure over the full six months was still down 19% from H1 2018. Deal volumes in the half of 196 were up 8% during the same period.

Buyout and related exit volumes remained low through the second quarter, with only 17 exits occurring throughout the three months. Despite this decline in volumes, a number of these were sizeable transactions, with three exits crossing the \$1 billion threshold.

Canadian Market Trends by Sector & Stage

Landing in the top deal spot for the first half was the announced \$5 billion acquisition of airline operator WestJet by Onex in May, with an expected close in the second half of 2019 or early 2020. Ranking second was the \$1.7 billion formation of midstream infrastructure platform SemCAMS with investment by backers SemGroup and KKR. Coming in third was Brookfield's sale of its facilities management division, BGIS, to CCMP Capital Advisors for \$1.3 billion, which was announced in March.

Private Investment in Public Equities (PIPE) transactions fell to only 7% of all deals in H1, half of their 14% share throughout 2018. Mezzanine/Bridge Loan transactions were up to 14% in the period, from 10% in 2018 and nearly triple their 5% share from three years ago.

United States-based firm involvement dipped slightly in the first half of 2019, down to 29% from 30% throughout the entirety of 2018. Canadian investors participated in just 72% of all Canadian PE buyout deals in H1 2019, down from an 80% participation rate just five years ago.

Canadian Private Equity Buyout Market Activity in H1 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 quarter of 2019. 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 4.9% as of the end of Q1. This lags far behind their U.S. counterparts which showed consistent outperformance of public markets and a since inception IRR of 13.0%.

Canadian Market Trends by Region

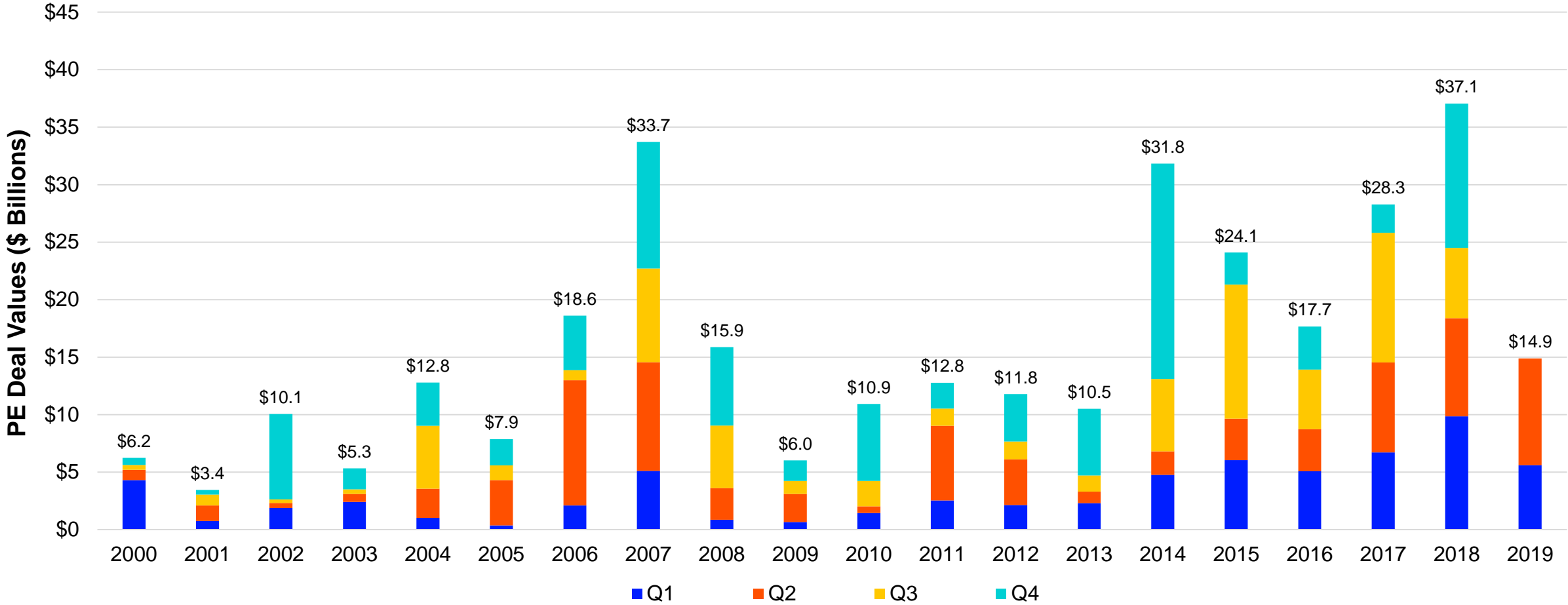
Calgary-based companies dominated the city rankings in the first half of 2019, with half of the top 10 occurring within its borders and 58% of overall deal values thank to these mega-deals, including the \$5 billion WestJet takeover. While Montréal-area companies did not take in the most capital, they did see 46 investments during the half, the most active among all Canadian cities. Québec, with 88 deals overall, saw the largest proportion of any province, at 45% of all PE dealmaking. This mostly came at the expense of Ontario, which had a 27% share of dealmaking in H1, well below its recent averages.

Canadian Investor Activity in Global Markets

Canada Pension Plan Investment Board, as usual, participated in many of the largest deals located outside of Canada but featuring Canadian investors, including the top four deals in the first half. These included the \$14.8 billion deal to acquire Ultimate Software of Weston, FL, along with the \$9.8 billion deal to purchase entertainment attractions operator Merlin Entertainments. 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.

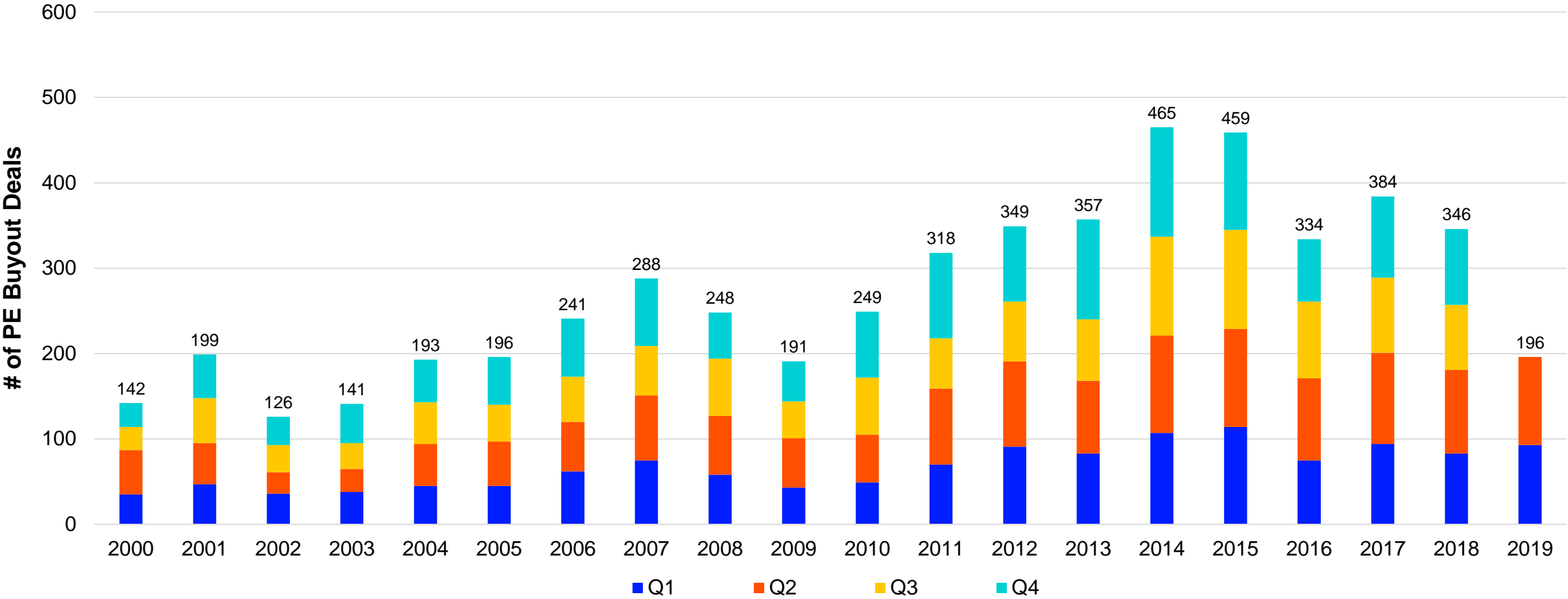
Historical Investment in Canadian Companies: PE Buyout Deal Values

Canadian companies saw deal values of \$14.9 billion during the first six months of 2019. Despite this figure being down 19% year-over-year, it was still the second strongest first half on record. Q2 saw \$9.3 billion of investment, up 9% from Q2 2018.



Historical Investment in Canadian Companies: PE Buyout Deal Volumes

A total of 196 buyout and related private equity deals occurred between January and June, up 8% from H1 2018. 103 deals in Q2 marked the first quarter out of the previous eight to surpass the 100 mark.

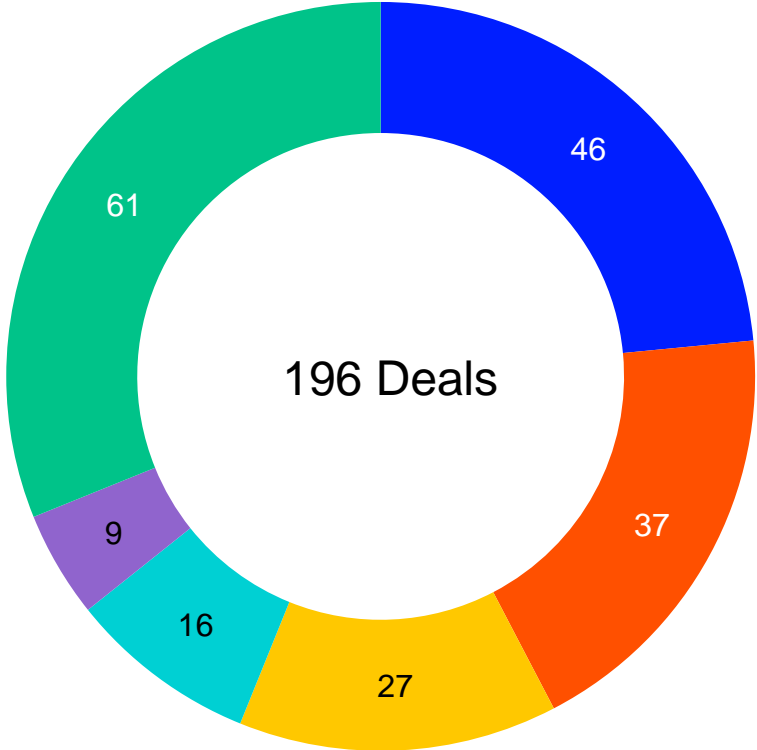


Top Canadian Private Equity Deals First Half 2019

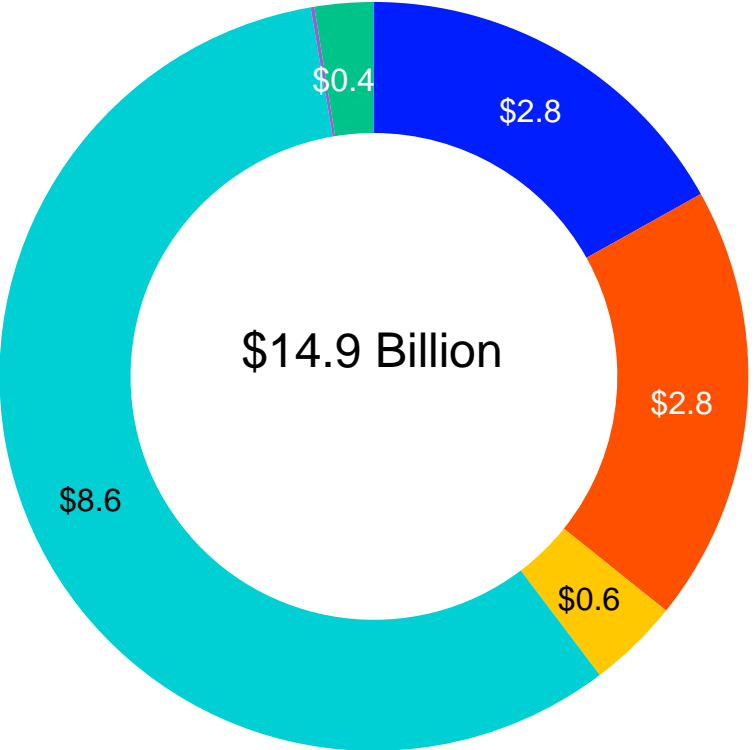
Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	WestJet	\$5,000.0	Calgary, AB	Airlines	Onex
2	SemCAMS Midstream (Platform creation)	\$1,700.0	Calgary, AB	Oil & Gas	SemGroup, KKR
3	BGIS	\$1,338.9	Markham, ON	Real Estate Management	CCMP Capital Advisors
4	Noverco	\$1,200.0	Montréal, QC	Natural Gas	Caisse de dépôt et placement du Québec, Fonds de Solidarité FTQ, British Columbia Investment Management Corp, Régime de retraite de l'Université du Québec, Enbridge
5	Cogeco Peer 1	\$720.0	Montréal, QC	ICT Solutions	Digital Colony
6	SemCAMS Midstream (Meritage Midstream asset acquisition)	\$600.0	Calgary, AB	Oil & Gas	SemGroup, KKR
7	Cobalt 27 Capital Corp	\$501.0	Toronto, ON	Cobalt	Pala Investments
8	CSV Midstream	\$470.0	Calgary, AB	Energy Infrastructure	Northleaf Capital Partners
9	Gluskin Sheff + Associates	\$445.0	Toronto, ON	Wealth Management	Onex
10	TransAlta	\$350.0	Calgary, AB	Power Generation	Brookfield Asset Management

Canadian PE Buyout Investment, Top Five Urban Regions

Calgary dominated the city rankings in the first half, with 16 deals receiving aggregate disclosed deal values of \$8.6 billion, or 58% of the nation's total. Montréal saw the most deals at 46 for the half, with a collective valuation of \$2.8 billion.

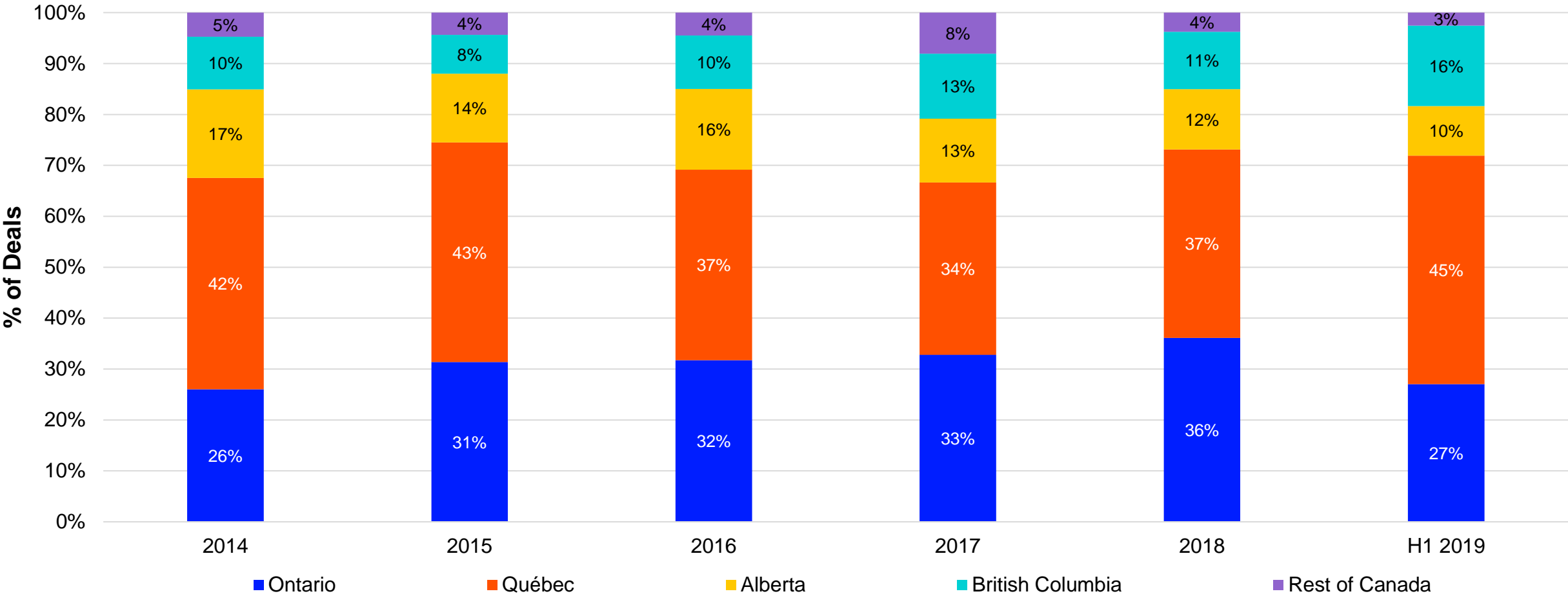


- Montréal
- Toronto
- Vancouver
- Calgary
- Quebec City
- Other



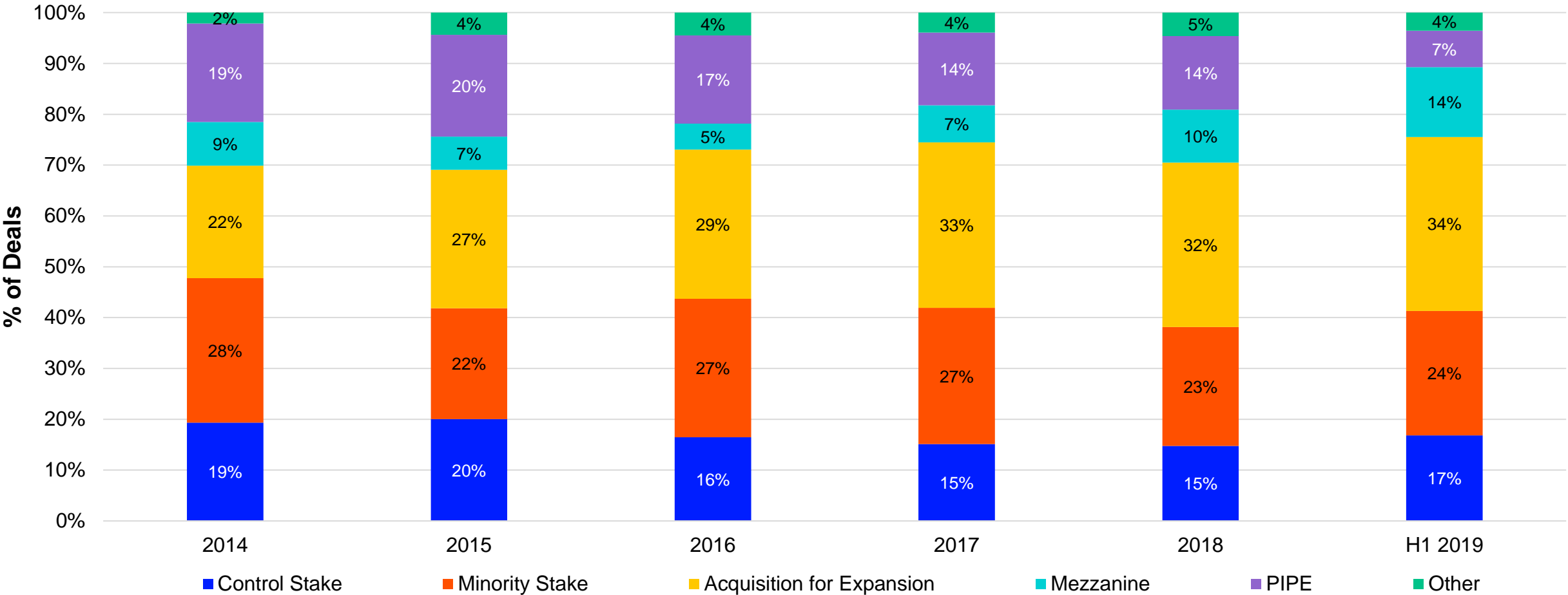
PE Buyout Dealmaking: Deal Volume by Company Province

Québec remaining the most active province in the first half, with 88 deals, or 45% of all deal volumes, a share not seen since 2009. Ontario-based companies saw only 27% of all deals, lower than any annual share seen in the previous four years.



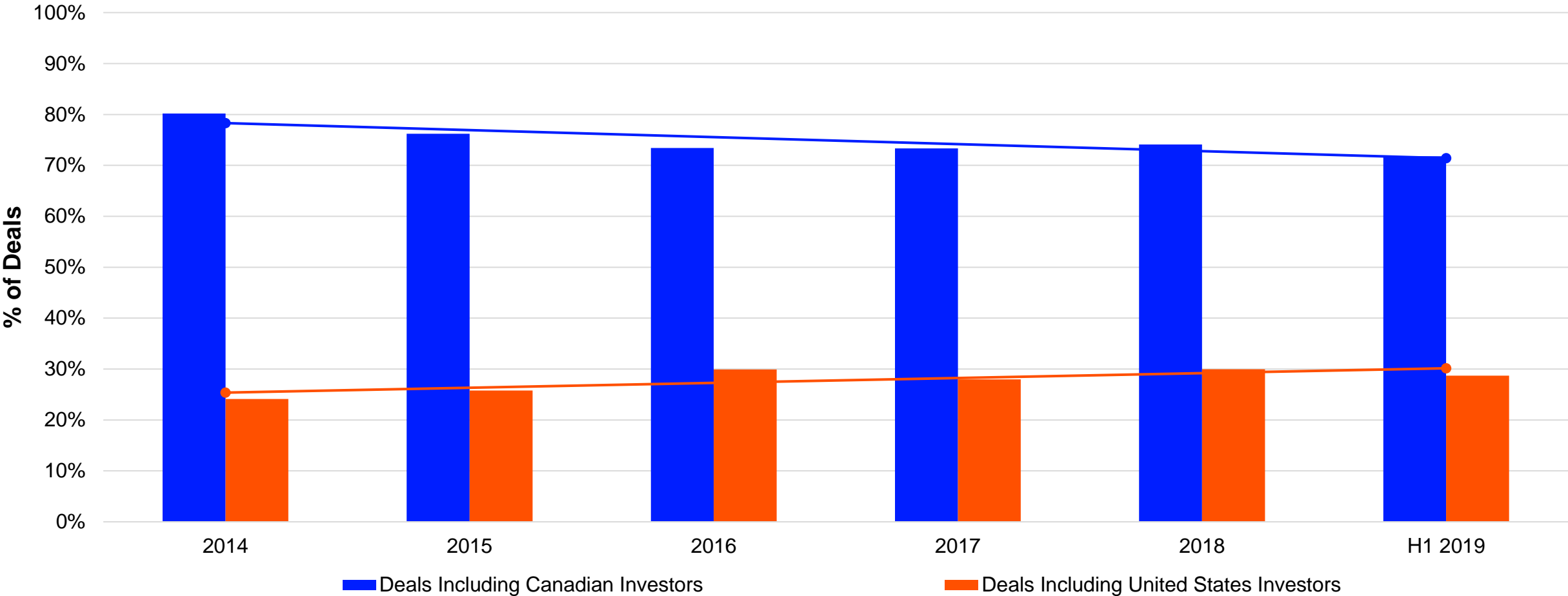
PE Buyout Dealmaking: Deal Volumes by Transaction Type

Private Investment in Public Equities transactions continued to see a decline in frequency, comprising only 7% of all deals in H1 2019. Add-on acquisitions grew to 34% of dealmaking with 67 deals in the first half.



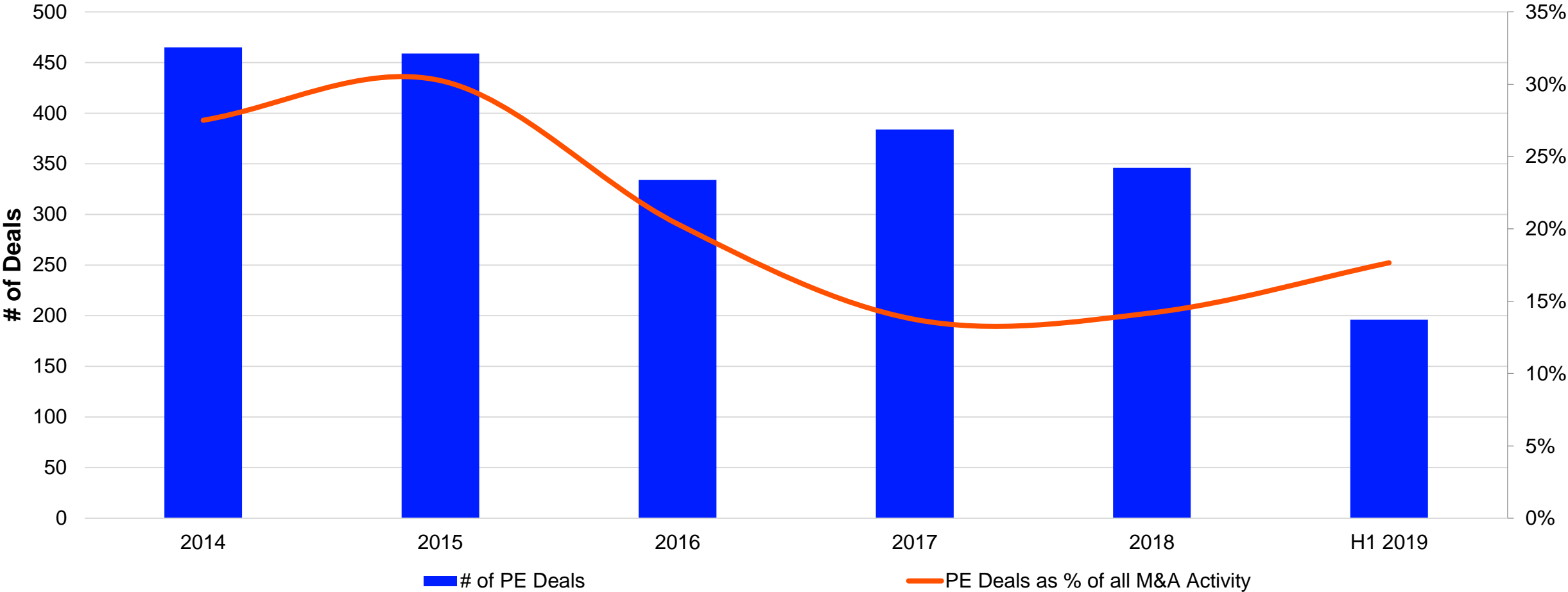
PE Buyout Dealmaking: Deal Volumes by Investor Location

Canadian investors participated in just 72% of all Canadian PE buyout deals in H1 2019, down from a 74% participation rate in 2018, and 80% only five years ago. United States investors participated in 29% of all deals, up from 24% five years ago.



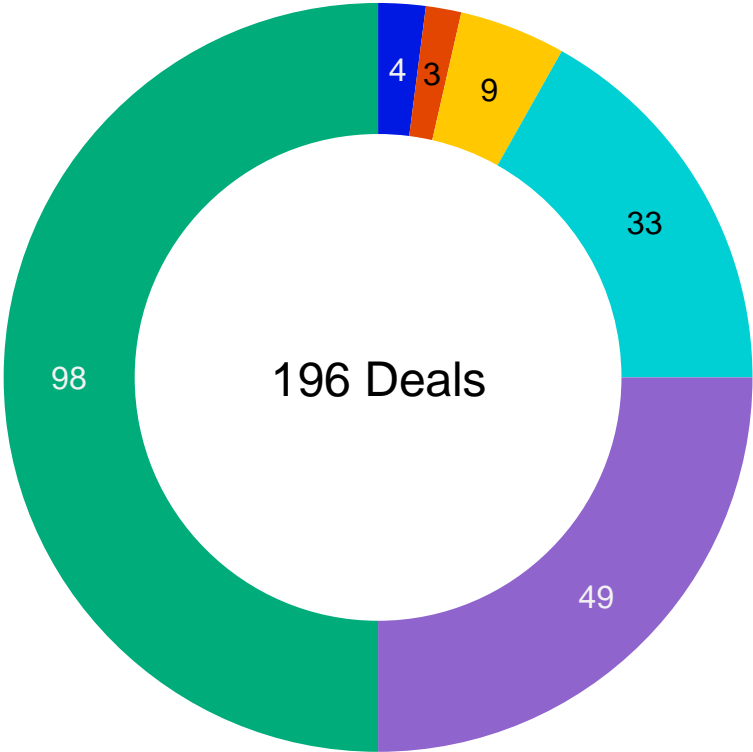
PE Buyout Dealmaking Versus All M&A of Canadian Targets

While Canadian buyout deal volumes were up 8% year-over-year, Canadian M&A deal volumes declined by 15% in H1, resulting in PE deals' share of traditional M&A climbing to 18%, up from 14% during the same period a year ago.

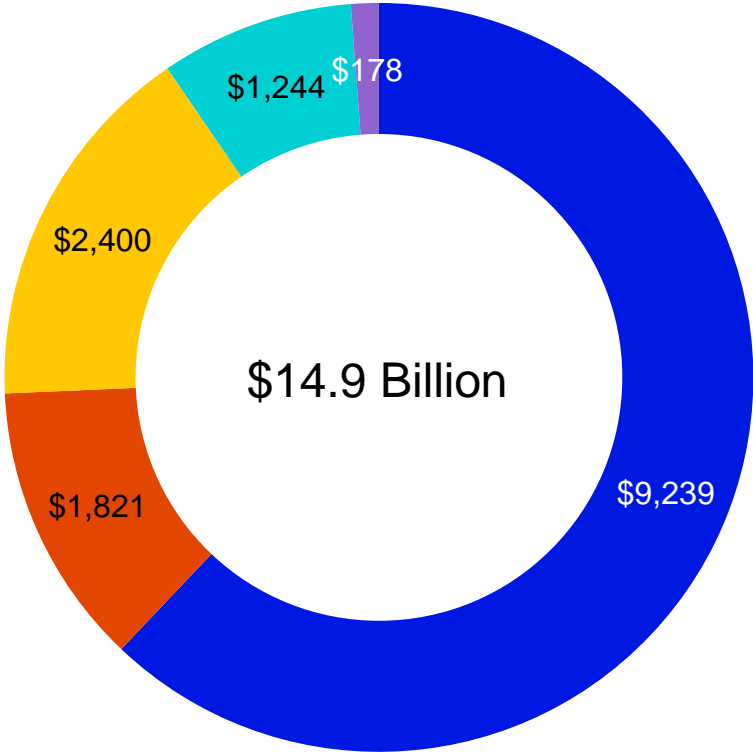


Canadian PE Buyout Investment by Deal Size Range

The top four deals, which all broke the \$1 billion mark, accounted for \$9.2 billion of deal values, or 62% of overall disclosed financings during the half. Of those deals with disclosed figures, rounds of \$10 million or less accounted for exactly half.



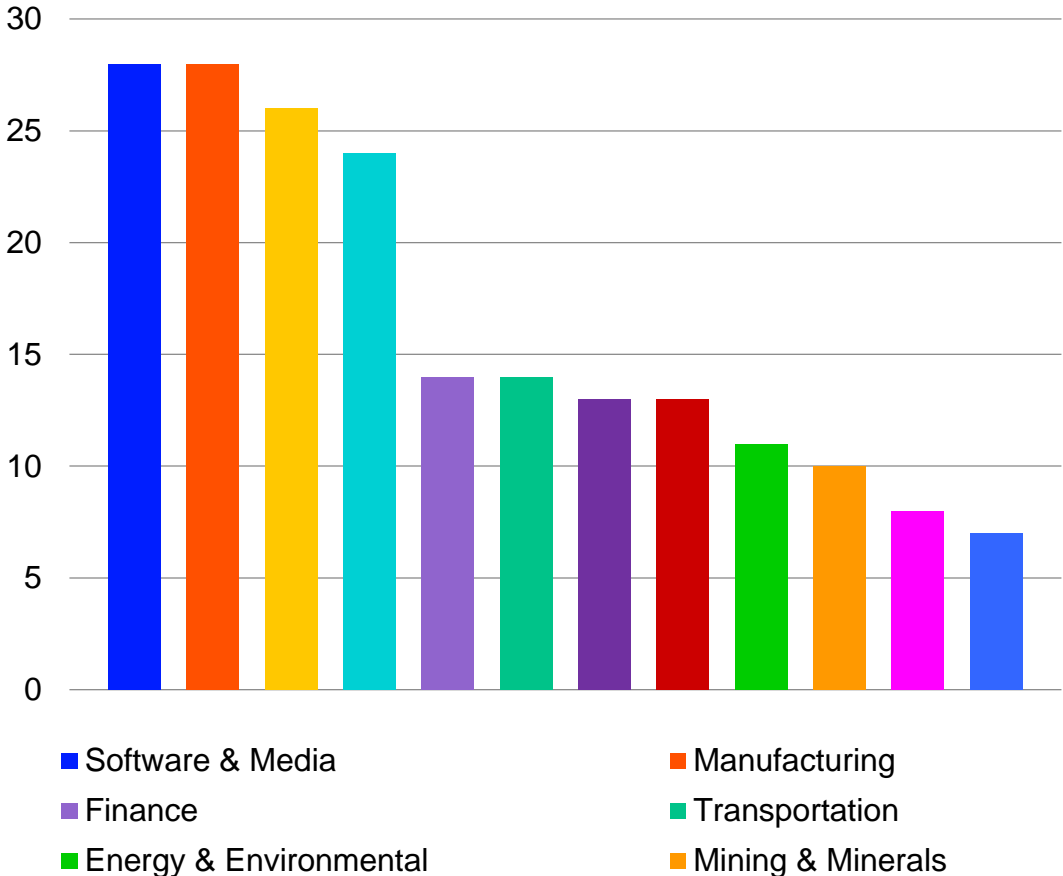
- >= \$1 Billion
- \$500 - \$999 Million
- \$100 - \$499 Million
- \$10 - \$99 Million
- < \$10 Million
- Deal Values Undisclosed



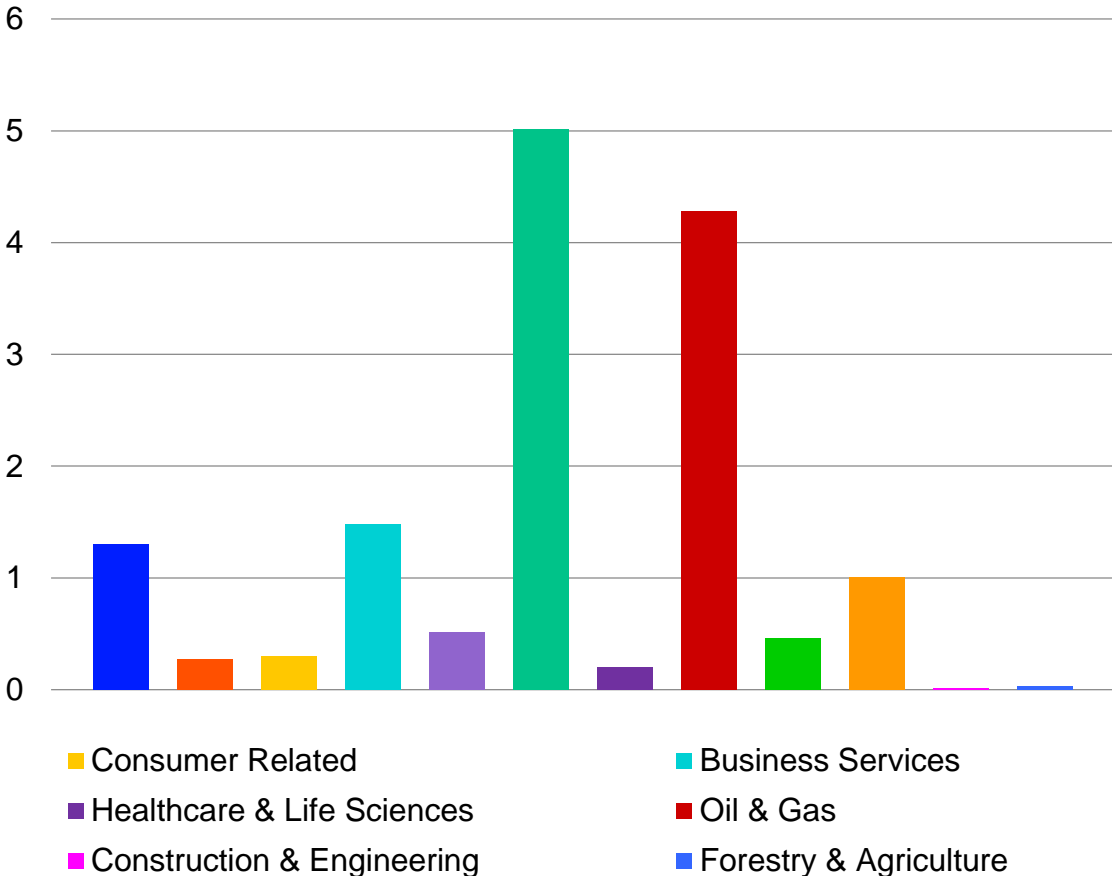
Canadian PE Buyout Investment by Sector, First Half 2019

Companies within the Software & Media and Manufacturing sectors each made up 14% of all deals recorded during the period. Transportation and Oil & Gas companies captured the largest share of deal values with a combined \$9.3 billion.

First Half 2019 Total # of Deals



First Half 2019 Total Deal Values (\$ Billions)

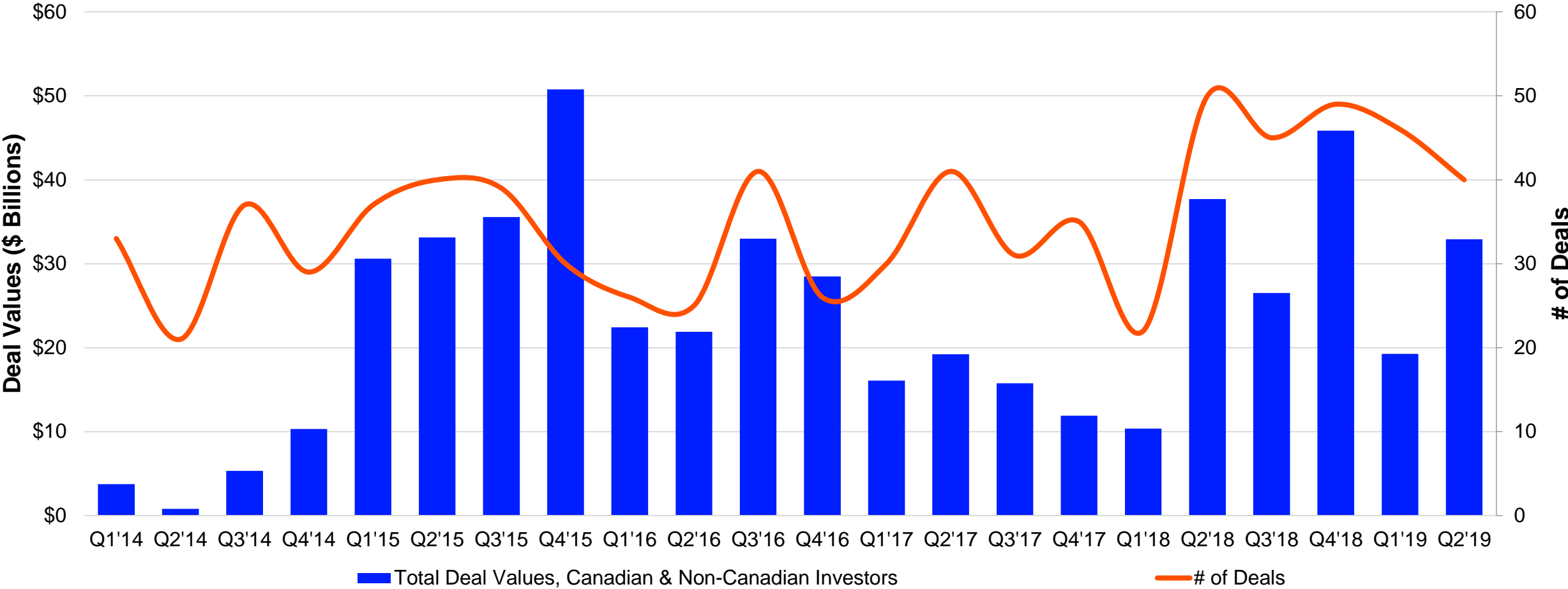


Top PE Investments by Canadian Firms in Non-Canadian Companies First Half 2019

Portfolio Company					Canadian Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	Ultimate Software	\$14,762.0	Weston, FL	Human Capital Management	Canada Pension Plan Investment Board
2	Merlin Entertainments	\$9,817.5	Poole, United Kingdom	Attraction Operators	Canada Pension Plan Investment Board
3	Williams Cos - Marcellus and Utica Shale Unit	\$5,066.9	Tulsa, OK	Pipeline Assets	Canada Pension Plan Investment Board
4	Inmarsat	\$4,528.5	London, United Kingdom	Inflight Broadband	Canada Pension Plan Investment Board Ontario Teachers' Pension Plan
5	Vodafone New Zealand	\$3,008.2	Auckland, New Zealand	Telecommunications	Brookfield Asset Management
6	Pipeline Infrastructure Private	\$2,516.5	Mumbai, India	Pipeline Assets	Brookfield Asset Management
7	Convex	\$2,141.8	Hamilton, Bermuda	Insurance	Onex, PSP Investments
8	Evoque Data Center Solutions	\$1,500.1	Dallas, TX	Data Centers	Brookfield Asset Management
9	Verily Life Sciences	\$1,348.7	San Francisco, CA	Healthcare Research	Ontario Teachers' Pension Plan
10	Visma	\$1,132.7	Oslo, Norway	Business Software	Canada Pension Plan Investment Board

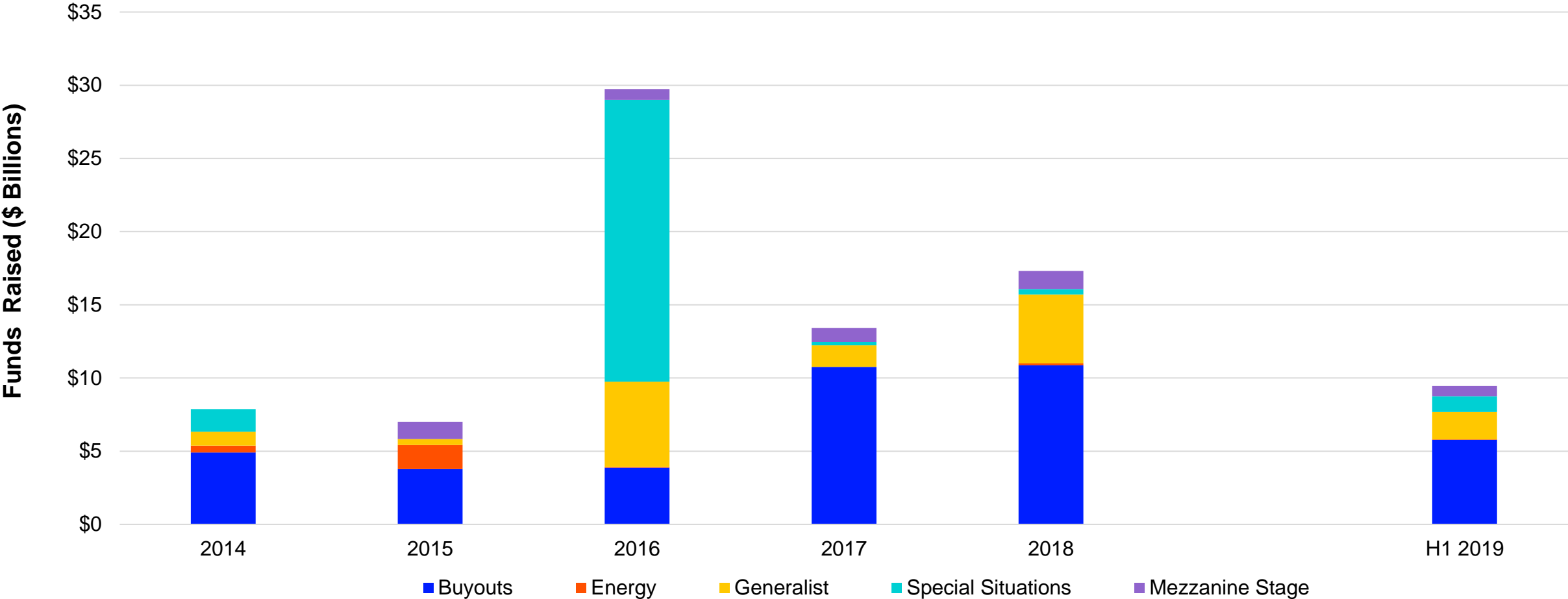
PE Investments by Canadian Firms in non-Canadian Companies

Canadian funds invested in 86 deals involving non-Canadian companies throughout H1 2019, with collective deal values of \$52 billion, the most in a first half since 2015.



PE Buyout Fundraising by Canadian Firms

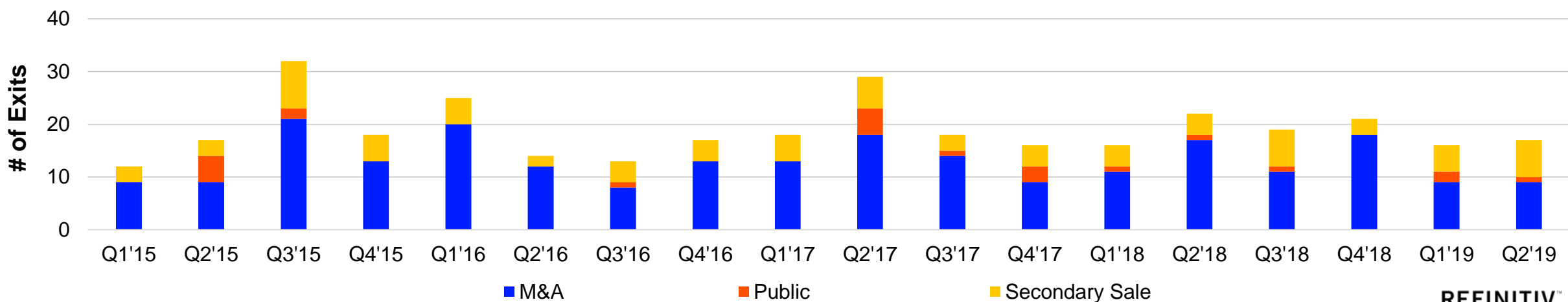
Canada saw an active start to buyout fundraising during the first six months of the year with 20 fund closings, more than the total closes for all twelve months of both 2018 and 2017. Despite this activity, only \$9.4 billion was raised during the half.



Canadian PE Backed Exits, First Half 2019

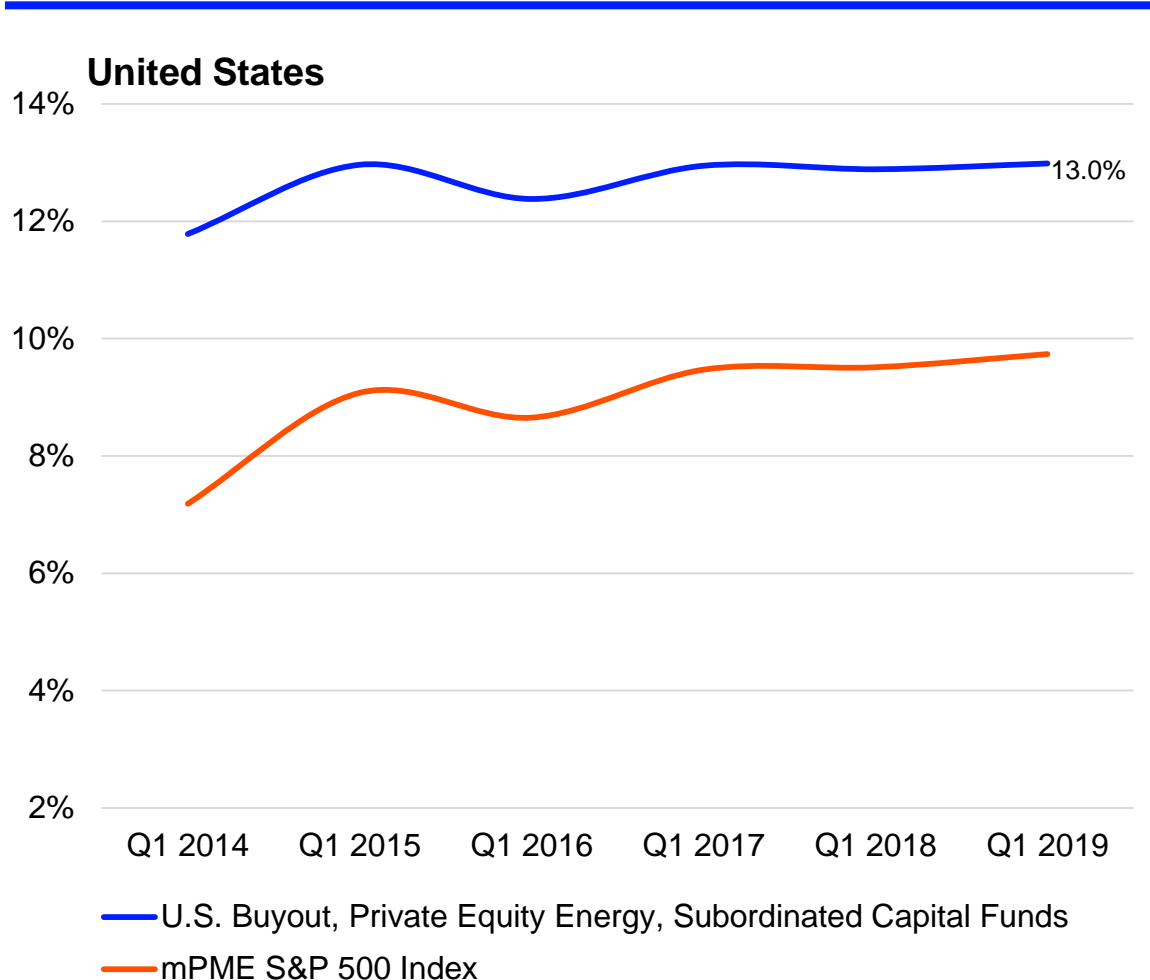
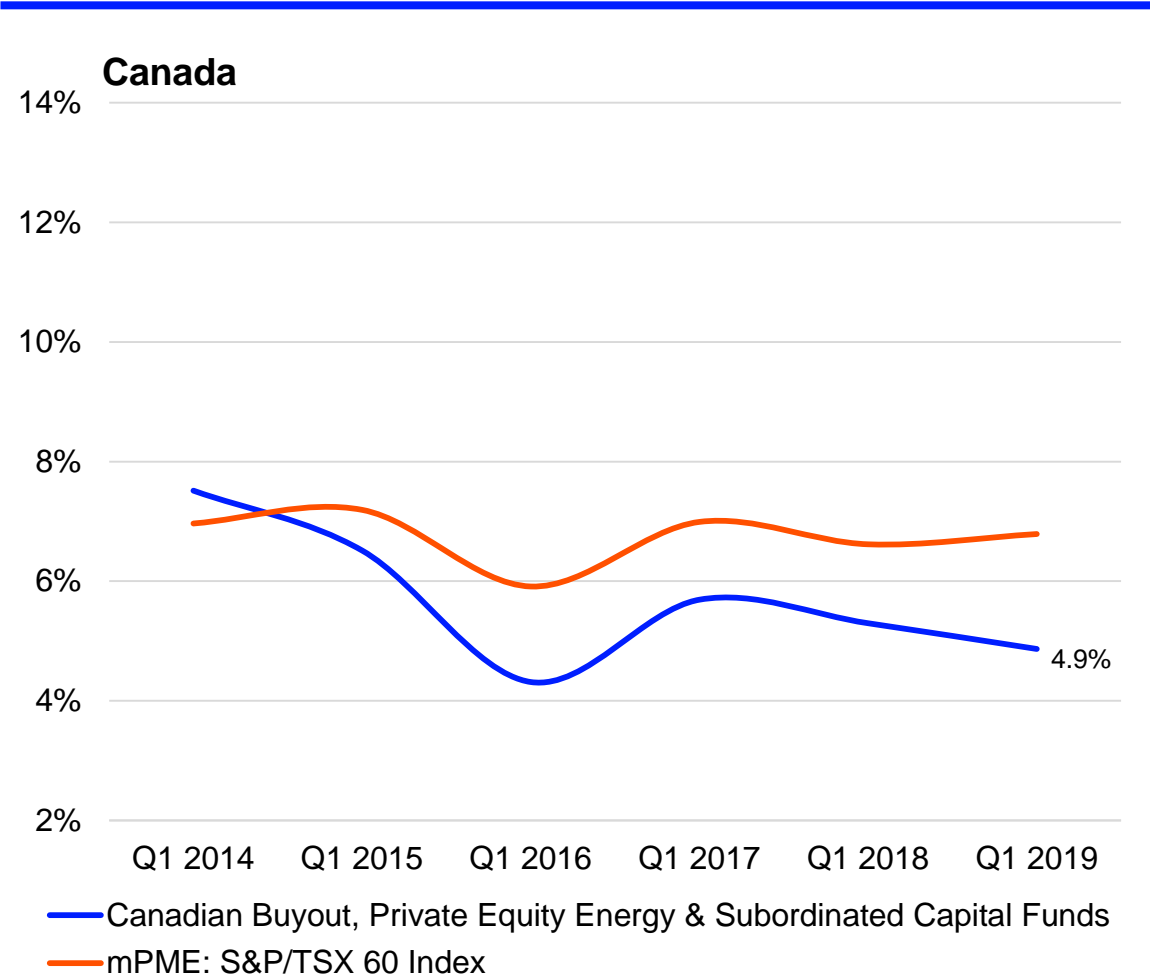
A total of 33 exits were completed in the first half of 2019, the fewest in any H1 since 2015. However, three of these exits were greater than \$1 billion including the third ranked PE deal in the half, Brookfield's sale of BGIS to CCMP Capital Advisors.

Portfolio Company						
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Exiting Investors (Disclosed)	
1	BGIS	\$1,338.9	Markham, ON	Real Estate Management	Brookfield Asset Management	
2	Clementia Pharmaceuticals	\$1,300.3	Montréal, QC	Pharmaceuticals	BDC Venture Capital, New Enterprise Associates, OrbiMed	
3	Valener	\$1,121.0	Montréal, QC	Natural Gas	Caisse de dépôt et placement du Québec	
4	DBRS	\$904.4	Toronto, ON	Credit Ratings	The Carlyle Group, Warburg Pincus	
5	Intelex	\$567.8	Toronto, ON	Safety Software	HarbourVest, JMI Equity	



Cambridge Associates: Buyout & Other Private Equity Fund Performance

Canadian private independent buyout funds continue to see declining returns as well as underperformance 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 Q1 2019. 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 Tuesday, August 6th, 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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