

# Canada's Buyout & Private Equity Market in 2011

Prepared by Thomson Reuters for Canada's Venture Capital & Private Equity Association



# 1. Overview of Canadian Market Activity in 2011



### ***Canadian buyout-PE market trends***

Buyout and other private equity (PE) market activity in Canada took significant strides forward in 2011, with dollar flows reaching their highest levels in 3 years. Disclosed deal values totaled \$11.5 billion last year, up 69% from 2010. In addition, announced and closed transactions, totaling 235 last year, grew 38% over the same period. In fact, deal volume in 2011 was the highest on record, surpassing even the 229 deals done in 2007.

On the heels of a comparatively quiet Q3 2011, Canadian deal-making received a boost in the final months of the year, with 54 transactions capturing \$2.2 billion. Deal volume was also higher on a year-over-year basis.

Two upper mid-market deals were key to activity in Q4 2011. The largest of these saw Sterling Partners completing a \$590 million take-private buyout of Ottawa's MOSAID Technologies Inc. KERN Partners, The Blackstone Group, Warburg Pincus and other investors also put \$500 million to work in Calgary's Osum Oil Sands Corp. Activity in this period also featured a \$160 million investment by CDP Capital Private Equity and CPP Investment Board in Genivar Inc., and a \$153 million acquisition by Birch Hill Equity Partners that privatized GDI Distinction Group Inc. Both firms are based in Montréal.

Overall, seven deals sized \$500 million or more obtained 52% of total dollars invested last year, while 21 deals of between \$100 million to \$500 million took a 32% share. The remaining 126 transactions sized less than \$100 million accounted for the rest.

### ***Trends in the US buyout-PE market***

In general terms, American buyout-PE market activity in 2011 paralleled the post-slowdown trends of the year before. However, in contrast with activity in Canada, there was weaker activity in the United States in the final months of the year. This contributed to a 24% reduction in the disclosed values, which totaled US\$113.0 billion last year, compared to US\$148.8 billion in 2010.

### ***Canadian market trends by sector***

Businesses in Canada's mining sector accounted for the largest number of buyout-PE deals in 2011, or 23% of the total. Manufacturing and processing firms took second spot, accounting for 16% of the total, followed by oil and gas and other energy-related firms, which took a 14% share.

When measured by disclosed disbursements, domestic market activity was last year led in the manufacturing sector, which absorbed one-quarter of the total amount, followed closely by oil and gas-related activity with 19%. Substantial shares were also assumed by information and media (15%), mining (11%) and agriculture and forest products (9%).

## **Overview of Canadian Market Activity in 2011**

<sup>1</sup> Of the 235 deals done in Canada in 2011, 66% had disclosed dollar values.



### ***Canadian market trends by region***

The largest number of Canadian buyout-PE transactions in 2011 involved businesses headquartered in Ontario, or 36% of the total number. Québec also reflected a sizeable share of deal-making, evidenced in its 23% of the total, followed by British Columbia with 20%, and Alberta with 18%.

As some of the most dollars-intensive activity (e.g., the \$2.1 billion Husky buyout) was located in Ontario, that province secured a particularly large 51% of disclosed values this time around. Alberta accounted for almost one-fifth of the total amount last year, followed by British Columbia (15%) and Québec (12%).

### ***Canadian investor activity in global markets***

Over the course of last year, Canadian buyout-PE funds ramped up their global deal-making. This culminated in Q4 2011 with the highest level of activity, in dollar terms, since the market was renewed in early 2010. Contributing to this was the final close of the US\$6.1 billion acquisition of Kinetic Concepts Inc. of Houston, Texas by Apax Partners, CPP Investment Board and PSP Investment Board, and the US\$1.6 billion acquisition of 99 Cents Only Dollar Stores of Commerce, California by Ares Management and CPP Investment Board.

Taking 2011 as a whole, domestic investors led or participated in 42 international transactions, down slightly from the year before. Despite the major deals done between July and December, disclosed disbursements, which totaled \$19.9 billion last year, were 34% lower on a year-over-year basis.

### ***Canadian buyout-PE exit activity***

In keeping with post-slowdown market conditions, buyout-PE fund realizations of Canadian portfolio assets were relatively steady in 2011. Totalling 56 at the end of December, liquidity events were 25% below the record high established in 2010, however, activity in 2011 exceeded that reported for all prior years.

Strategic sales remained the essential driver of exits, accounting for 68% of the total number last year. This trend continued in the fourth quarter, illustrated in one of the largest events of 2011, Teachers' Private Capital's sale of its majority stake in Maple Leaf Sports and Entertainment Ltd. of Toronto to Bell Canada Enterprises Inc. and Rogers Communications Inc. for \$1.32 billion.

There have been fewer opportunities for selling portfolio holdings in public markets in recent years, though 2011 saw 4 Canadian-based IPOs, involving such firms as the hockey equipment icon, Bauer Performance Sports Ltd. of Mississauga. Over 2010-2011, PE-backed IPOs were larger than non-PE-backed IPOs, with the former averaging \$327 million, compared to the latter's average of \$294 million.

## **Overview of Canadian Market Activity in 2011**

<sup>2</sup> Data reflect the total value of disclosed global deals, not the specific "Canadian" investor contributions to these deals.



### ***Trends in Canadian buyout-PE fund-raising***

In the challenging fund-raising environment of 2011, new capital committed to Canadian buyout, mezzanine and other PE funds tended to keep pace with activity over the past two years. At year's end, total fund-raising activity reached \$3.6 billion, edging out by 10% the \$3.3 billion brought into the market in 2010.

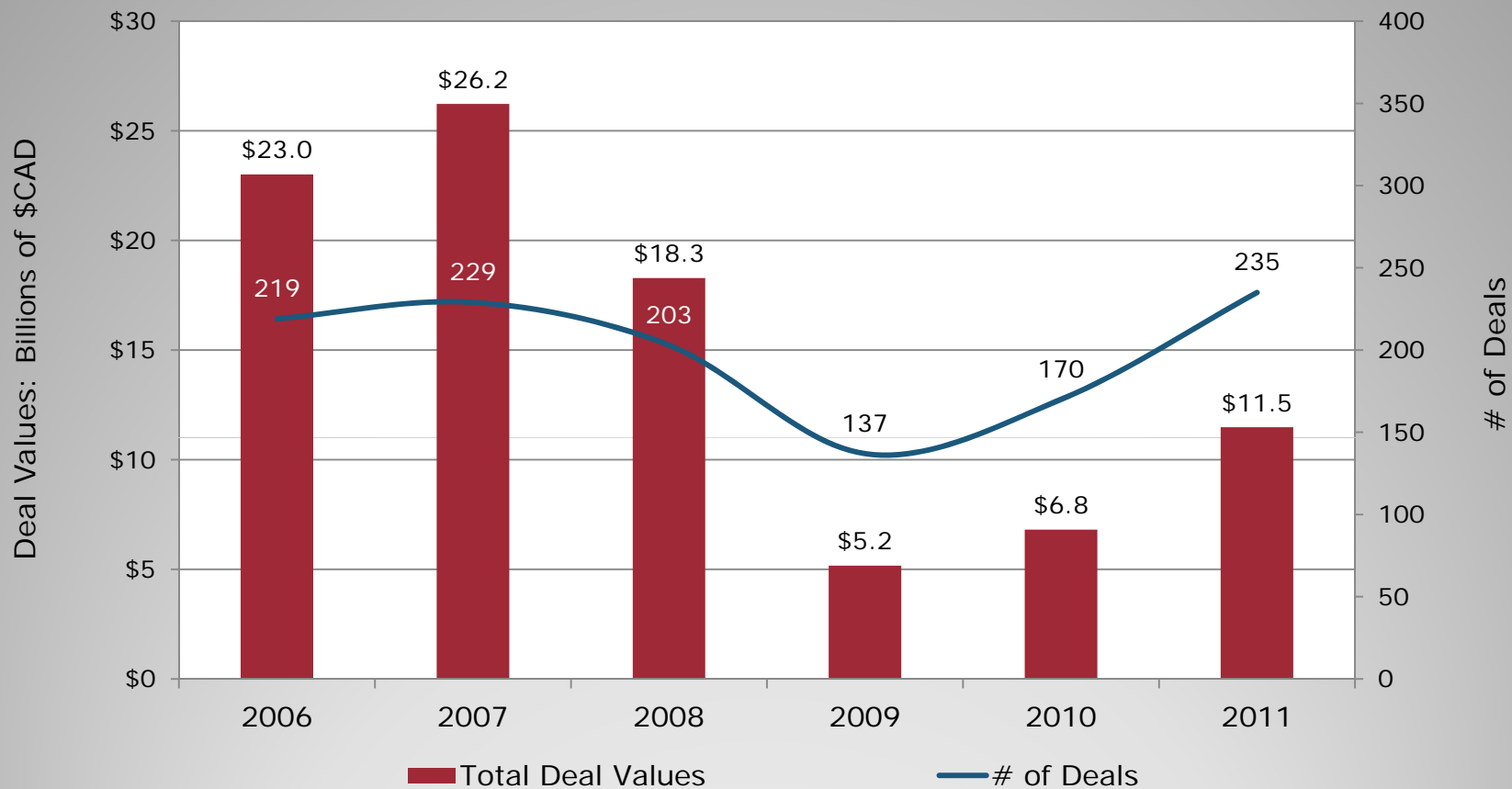
Fifteen domestic funds, the vast majority of which reflected initial or final partnership closings, were responsible for the new supply, compared to 18 funds in 2010. 2011's top fund formations included the US\$1.0 billion distressed-for-control partnership, Catalyst Fund LP III, managed by Catalyst Capital Group, and the \$800 million mid-market buyout partnership, ONCAP III, managed by Onex Corp.

## **Overview of Canadian Market Activity in 2011**



## **2. Buyout & Private Equity Market Activity in Canada in 2011**



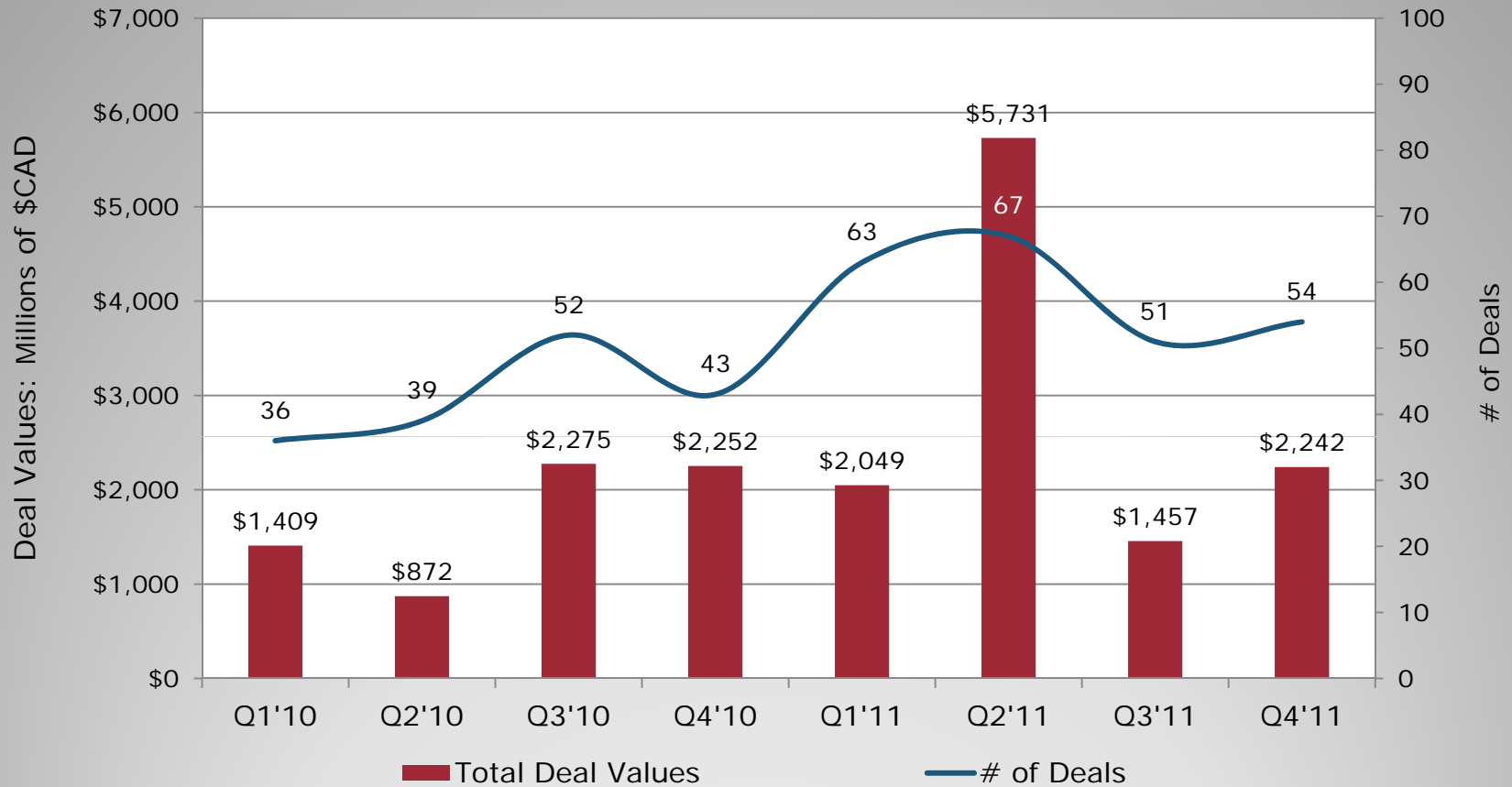


*NB: For a discussion of key data methodology issues, please see explanatory notes on pg. 29-30.*

## In 2011, Canadian Deal Volume Up 38%, Values 69%

BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) IN CANADA, 2006 - 2011





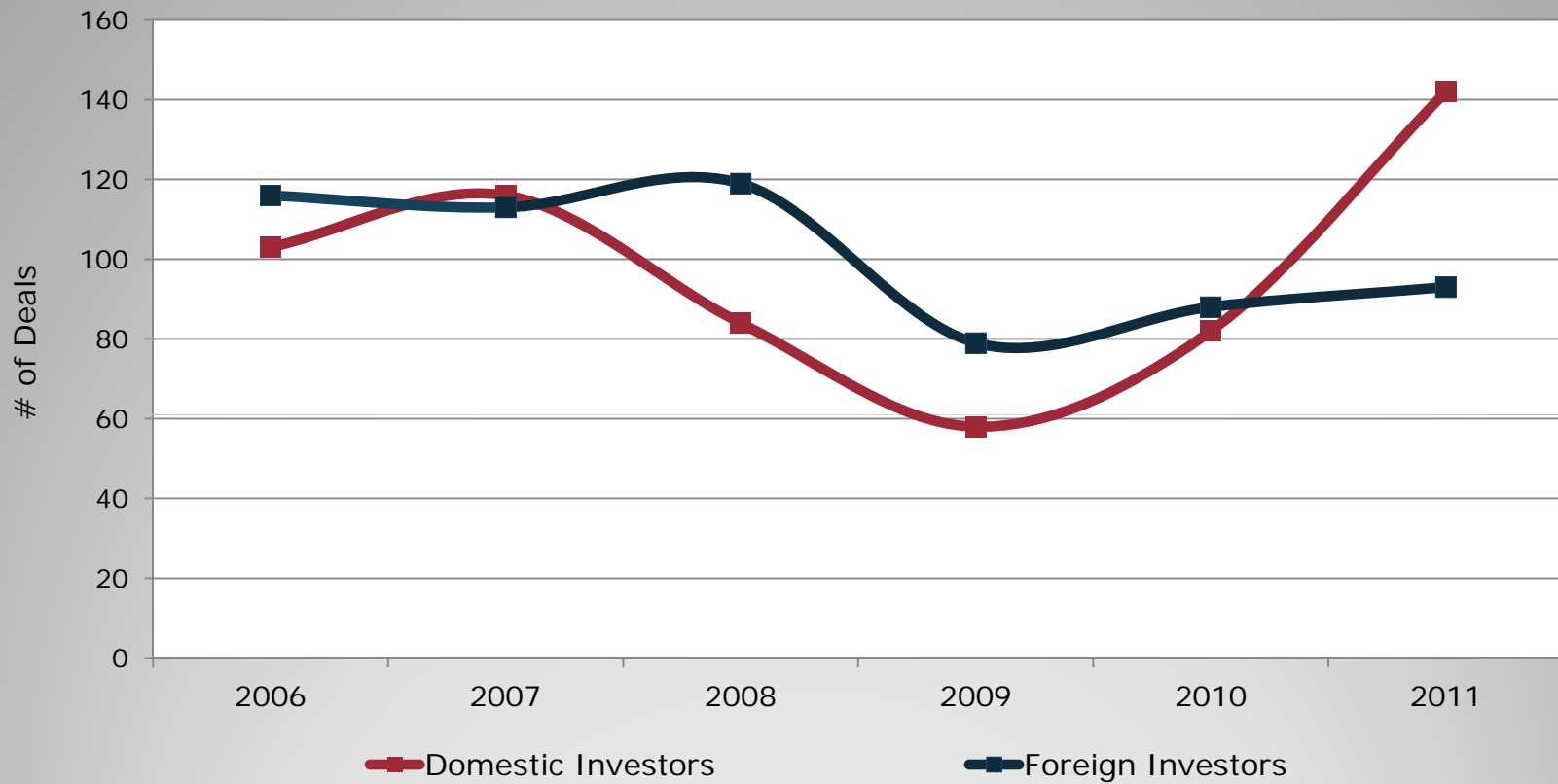
NB: For a discussion of key data methodology issues, please see explanatory notes on pg. 29-30.

## Uptick in Domestic Market Activity in Q4

BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) IN CANADA, Q1 2010 – Q4 2011





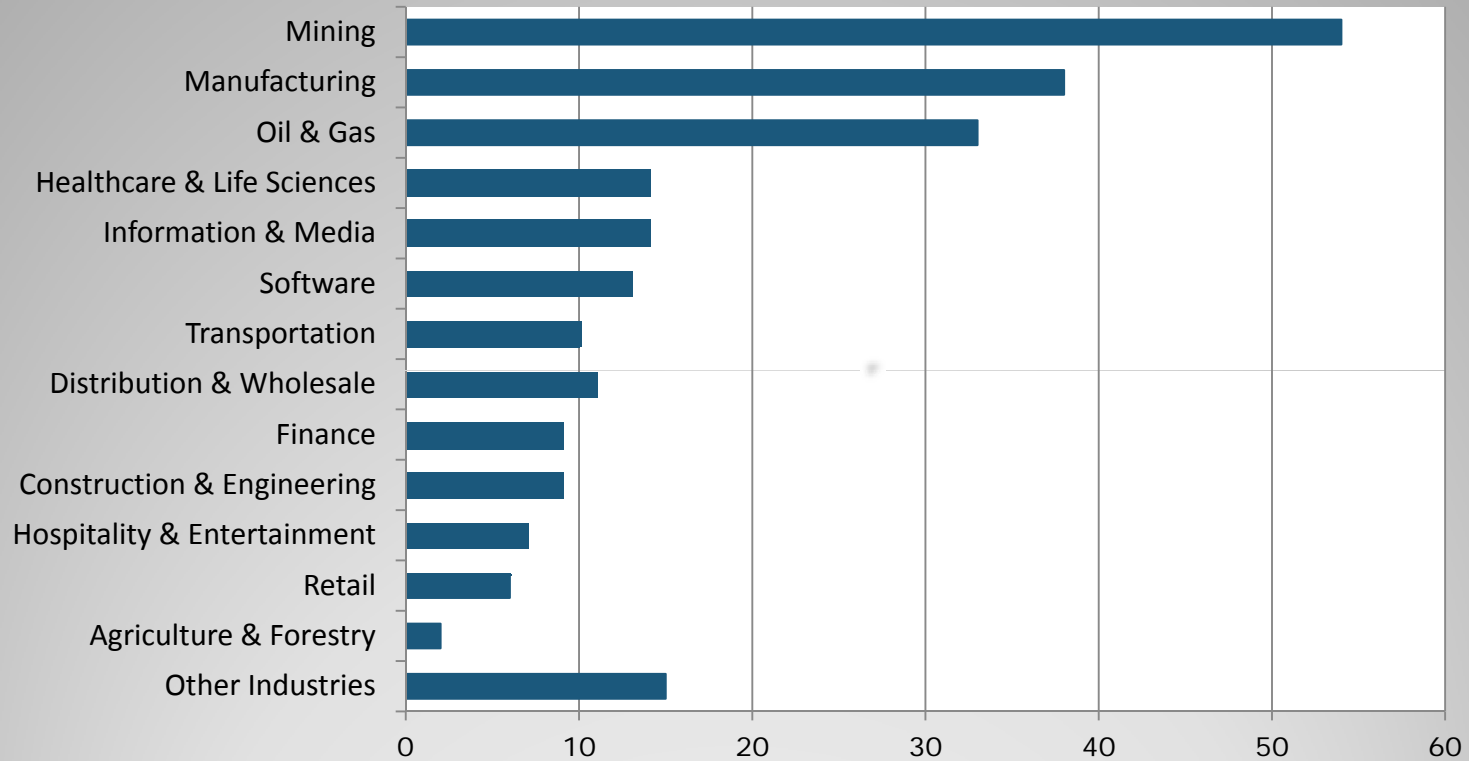


## Canadian Funds Account for 60% of Deals in 2011

CANADIAN BUYOUT-PE DEAL ACTIVITY BY DOMESTIC & FOREIGN INVESTORS, 2006 - 2011



Total Deals: 235

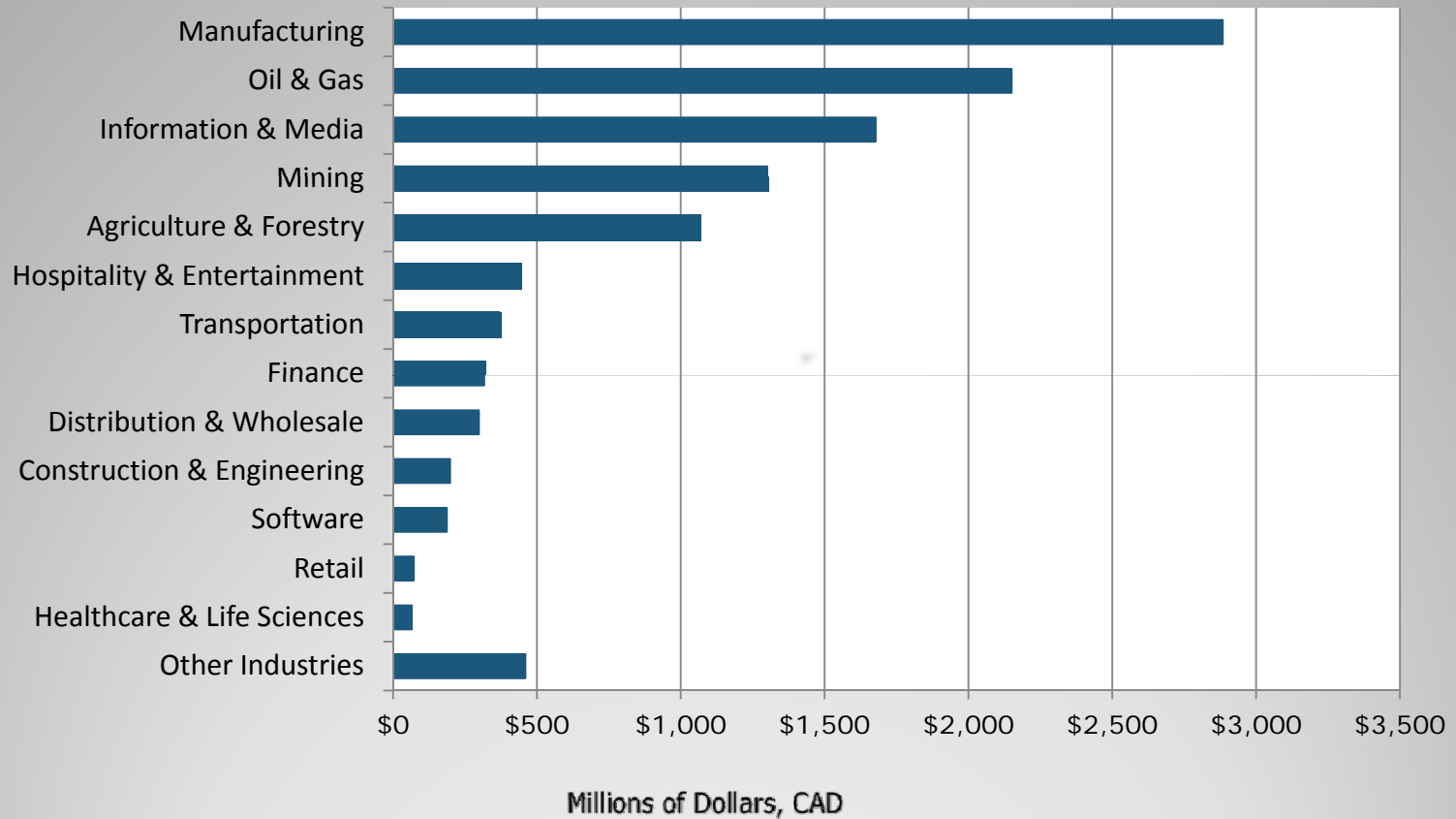


## Deal-Making Favours Resource Extraction, Manufacturing

CANADIAN BUYOUT-PE DEAL VOLUME BY SECTOR, 2011



Total Invested: \$11.5 Billion



## Cash Goes to Manufacturing, Resource Sectors, Info-Media

CANADIAN BUYOUT-PE DISBURSEMENTS (DISCLOSED) BY SECTOR, 2011



Deal Range	# of Deals Done	Dollars Invested (Disclosed)
> \$1 Billion	2	\$3,053 Million (27%)
\$500 Million - \$1 Billion	5	\$2,902 Million (25%)
\$100 Million - \$500 Million	21	\$3,645 Million (32%)
\$25 Million - \$100 Million	27	\$1,311 Million (11%)
< \$25 Million	99	\$567 Million (5%)
Deal Values Undisclosed	81	\$0 (0%)

Total Deals With Disclosed Values: 154 (of 235)  
Total Invested: \$11.5 Billion

*NB: For a discussion of domestic market segments, please see Explanatory Notes #4 & 5 on pg. 29.*

## Deals Sized >\$500 Million Absorb 52% of Dollars

CANADIAN BUYOUT-PE DEALS BY MARKET SEGMENT, 2011



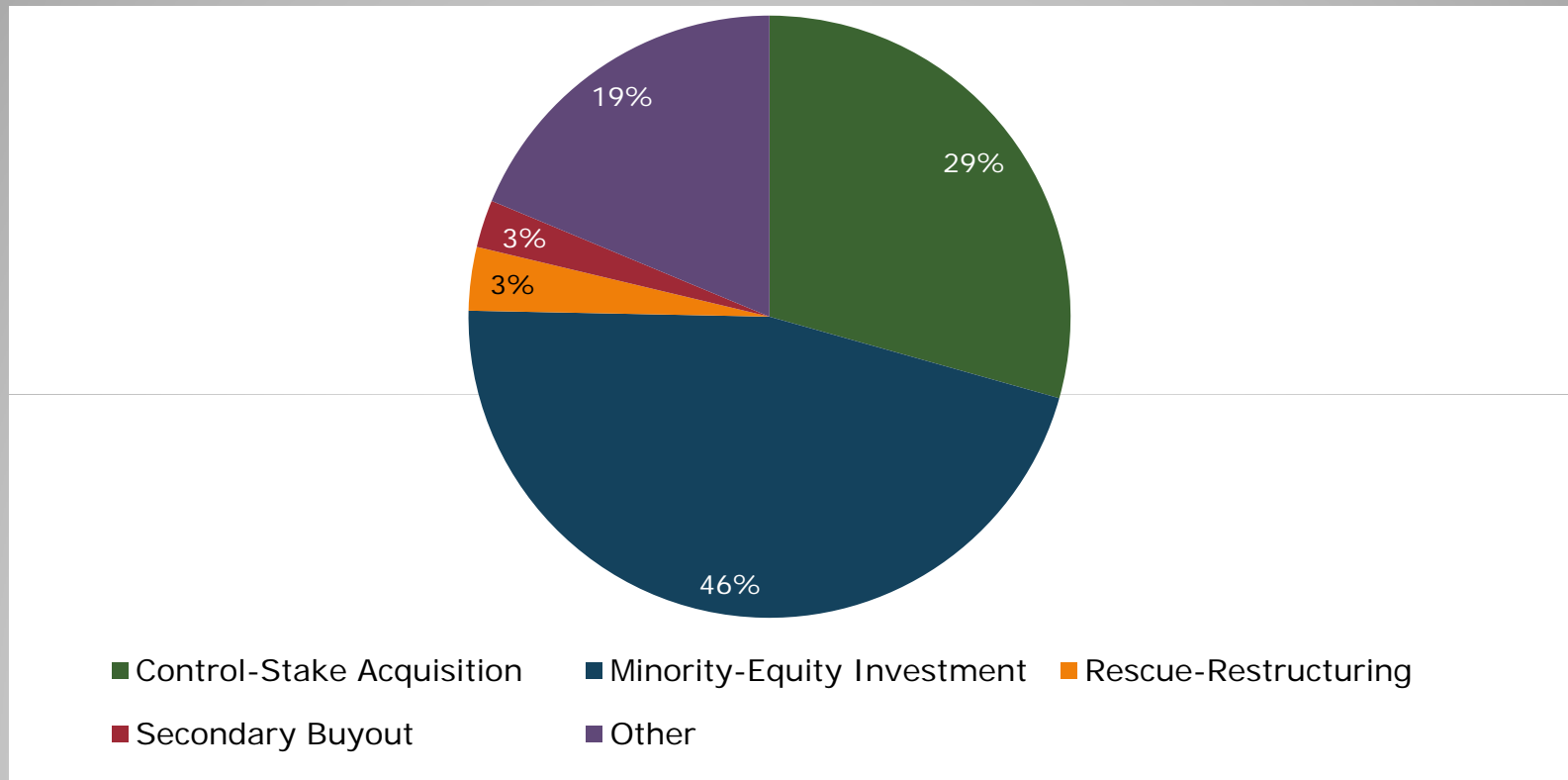
Deal Range	2011	2010
> \$1 Billion	\$3,053 Million (27%)	\$0
\$500 Million - \$1 Billion	\$2,902 Million (25%)	\$2,462 Million (36%)
\$100 Million - \$500 Million	\$3,645 Million (32%)	\$2,982 Million (44%)
\$25 Million - \$100 Million	\$1,311 Million (11%)	\$770 Million (11%)
< \$25 Million	\$567 Million (5%)	\$595 Million (9%)
Total (Disclosed) Disbursements	\$11.5 Billion	\$6.8 Billion

*NB: For a discussion of domestic market segments, please see Explanatory Notes #4 & 5 on pg. 29.*

## Large-Cap Transactions in Focus in 2011

CANADIAN BUYOUT-PE DEALS (WITH VALUES) BY MARKET SEGMENT, 2010 & 2011

Total Deals: 235



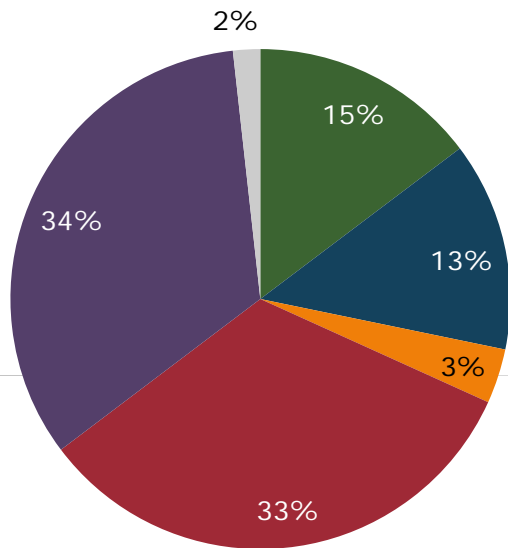
*NB: For definitions of transaction types, please see Explanatory Note #8 on pg. 30.*

## Control-Stake & Minority Transactions Lead Trends

CANADIAN BUYOUT-PE DEAL VOLUME BY TRANSACTION TYPE, 2011

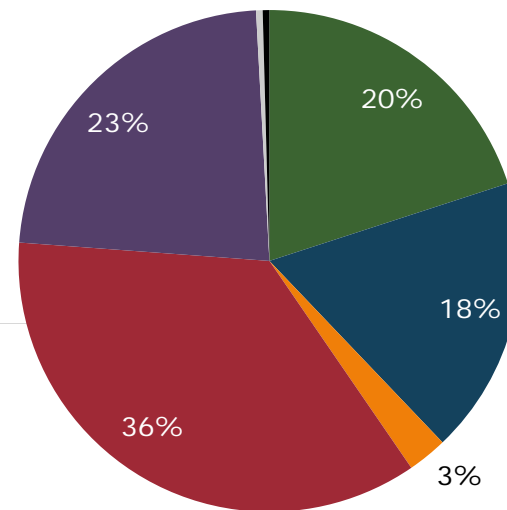


Total Deals in 2010: 170



■ British Columbia  
■ Ontario  
■ Territories  
■ Alberta  
■ Québec

Total Deals in 2011: 235



■ Manitoba-Saskatchewan  
■ Atlantic Canada

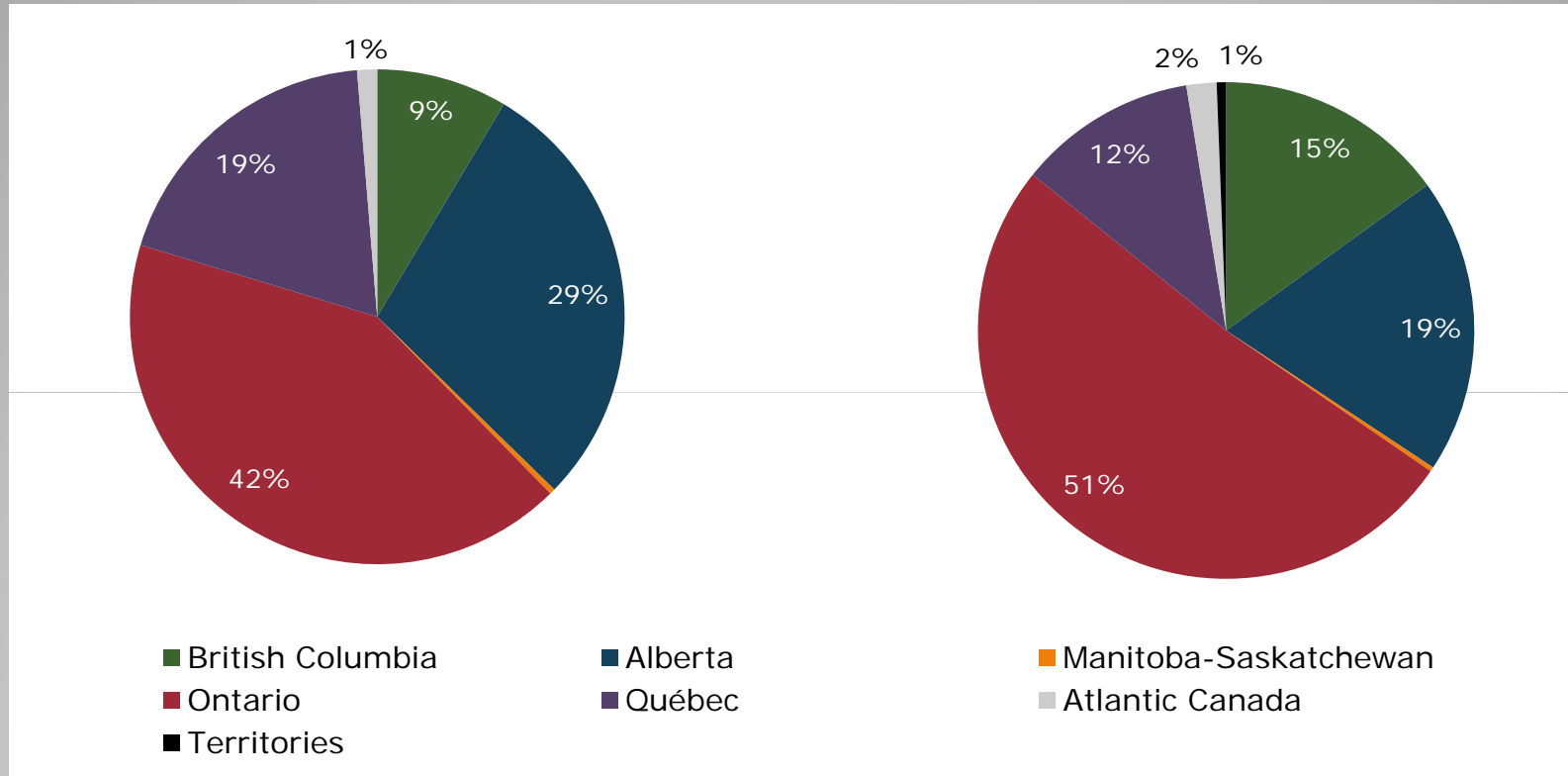
## Majority of Deals Done in Ontario, Québec

CANADIAN BUYOUT-PE DEAL ACTIVITY BY REGION, 2010 & 2011



Total Invested in 2010: \$6.8 Billion

Total Invested in 2011: \$11.5 Billion

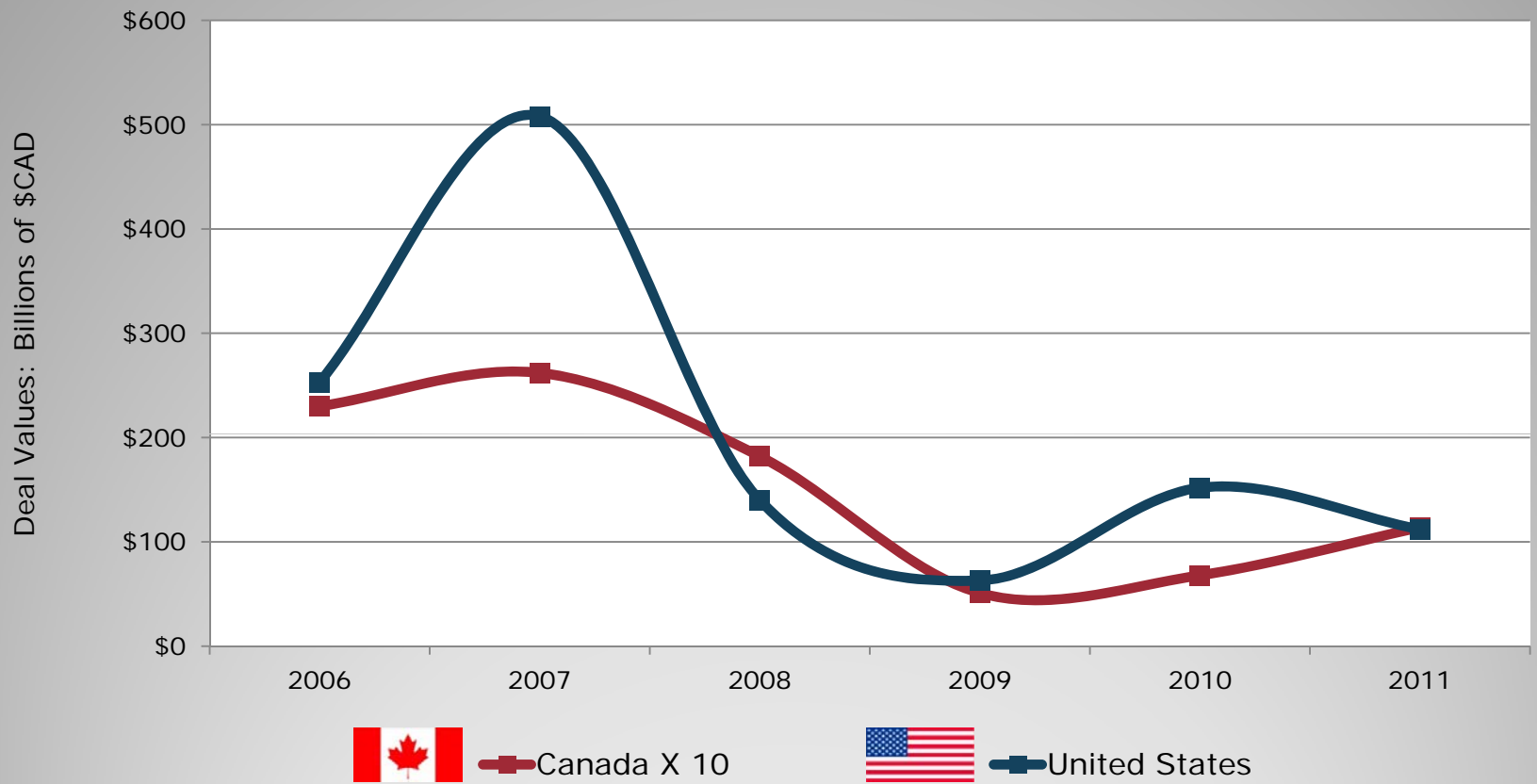


## Large-Cap Deals Give Ontario Over Half of Dollar Flows

CANADIAN BUYOUT-PE DISBURSEMENTS BY REGION, 2010 & 2011







## Canadian-US Market Trends Broadly in Parallel

BUYOUT-PE DISBURSEMENTS (DISCLOSED) IN CANADA & UNITED STATES, 2006 - 2011



Company	Prov.	Value	Investors
Husky International Ltd.	ON	\$2,100	Berkshire Partners, OMERS Private Equity
Timberwest Forest Ltd.	BC	\$1,030	BC Investment Management Corp., PSP Investment Board
Trader Corp.	ON	\$745	Apax Partners
Mosaid Technologies Inc.	ON	\$590	Sterling Partners
Baffinland Iron Mines Corp.	ON	\$590	Energy & Minerals Group
Inmet Mining Corp.	ON	\$500	Ellington Investments
Osum Oil Sands Corp.	AB	\$500	KERN Partners, The Blackstone Group, Warburg Pincus
Black Swan Energy Corp.	AB	\$350	CPP Investment Board, KERN Partners, Warburg Pincus

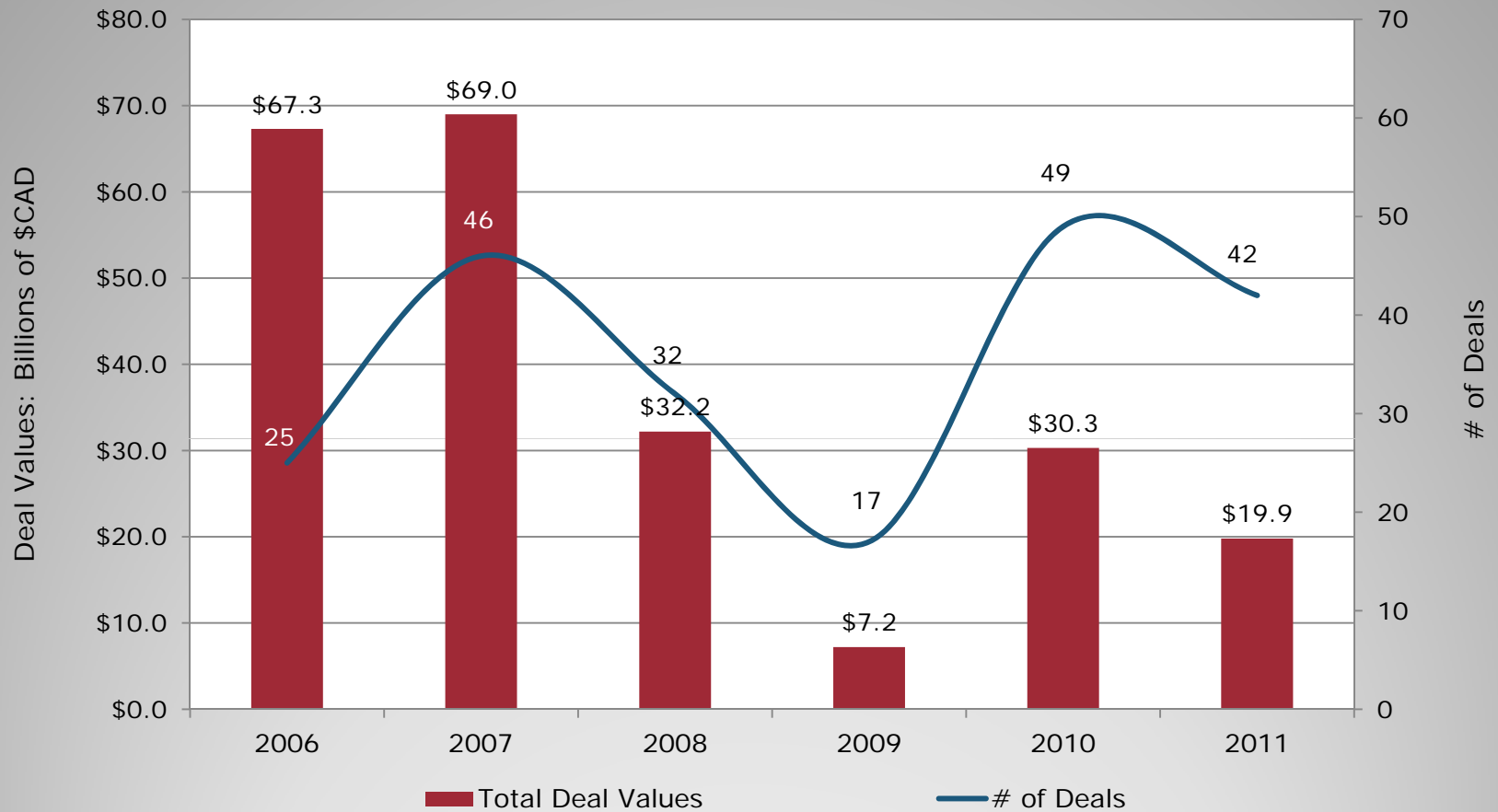
## Top Canadian Buyout-PE Deals (Disclosed) in 2011

CAD\$ MILLIONS



### **3. Canadian Fund Activity in Global Buyout & Private Equity Markets in 2011**



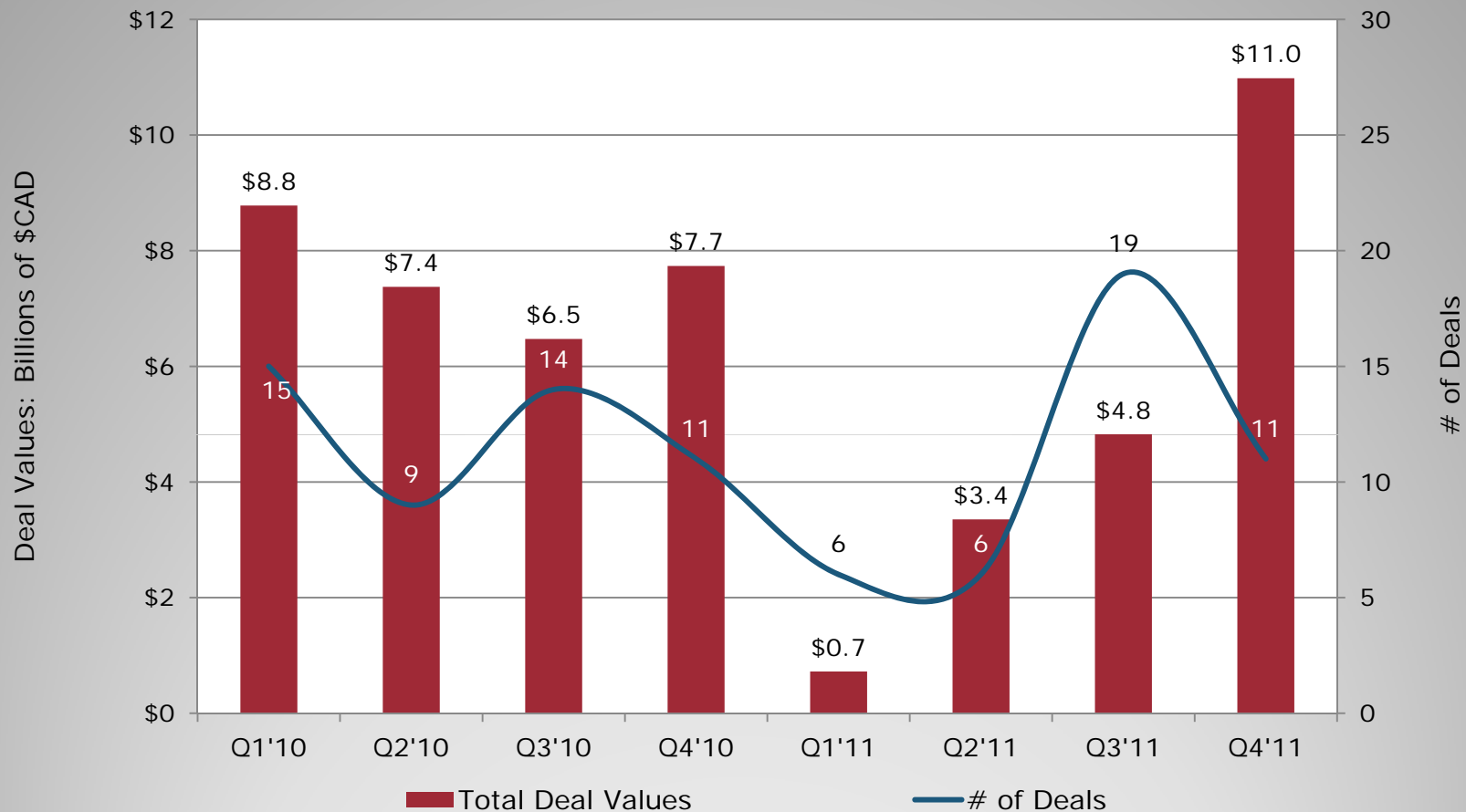


NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 30.

## Overall, Canadian Deal-Making Abroad Dips Slightly in 2011

GLOBAL BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) INVOLVING CANADIAN FUNDS, 2006 - 2011





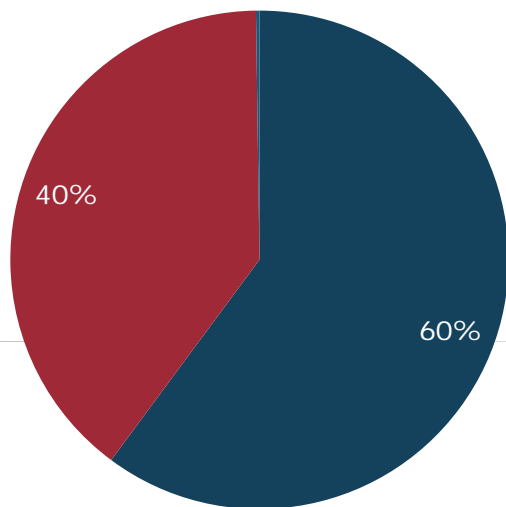
NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 30.

## International Deals Regain Momentum Late in Year

GLOBAL BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) INVOLVING CANADIAN FUNDS, Q1 2010 – Q4 2011

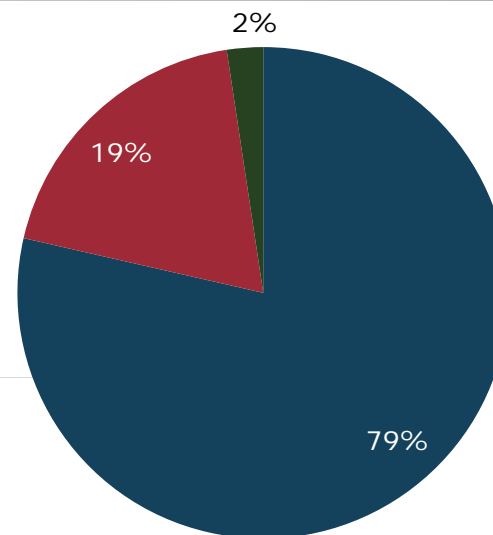


Total Invested: \$19.9 Billion



■ United States

Total Deals: 42



■ Europe

■ Australia

*NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 30.*

## Canadian Deal-Making Focused on US, Europe

GLOBAL BUYOUT-PE DEAL ACTIVITY INVOLVING CANADIAN FUNDS BY REGION, 2011



Company	Nation	Value	Investors
Kinetic Concepts Inc.	USA	\$6,212	Apax Partners, CPP Investment Board, PSP Investment Board
Gassco AS	Norway	\$3,180	Allianz Capital Partners, CPP Investment Board, Other Investors
SPIE SA	France	\$2,957	AXA Private Equity, CDP Capital Private Equity, Clayton, Dubilier & Rice
99 Cents Only Stores	USA	\$1,645	Ares Management, CPP Investment Board
Blue Coat Systems Inc.	USA	\$1,322	Teachers' Private Capital, Thoma Bravo
JELD-WEN Inc.	USA	\$917	Onex Corp.
NXT Capital Inc.	USA	\$554	Stone Point Capital, Teachers' Private Capital, Other Investors

## Canadian Funds Key to Top International Deals

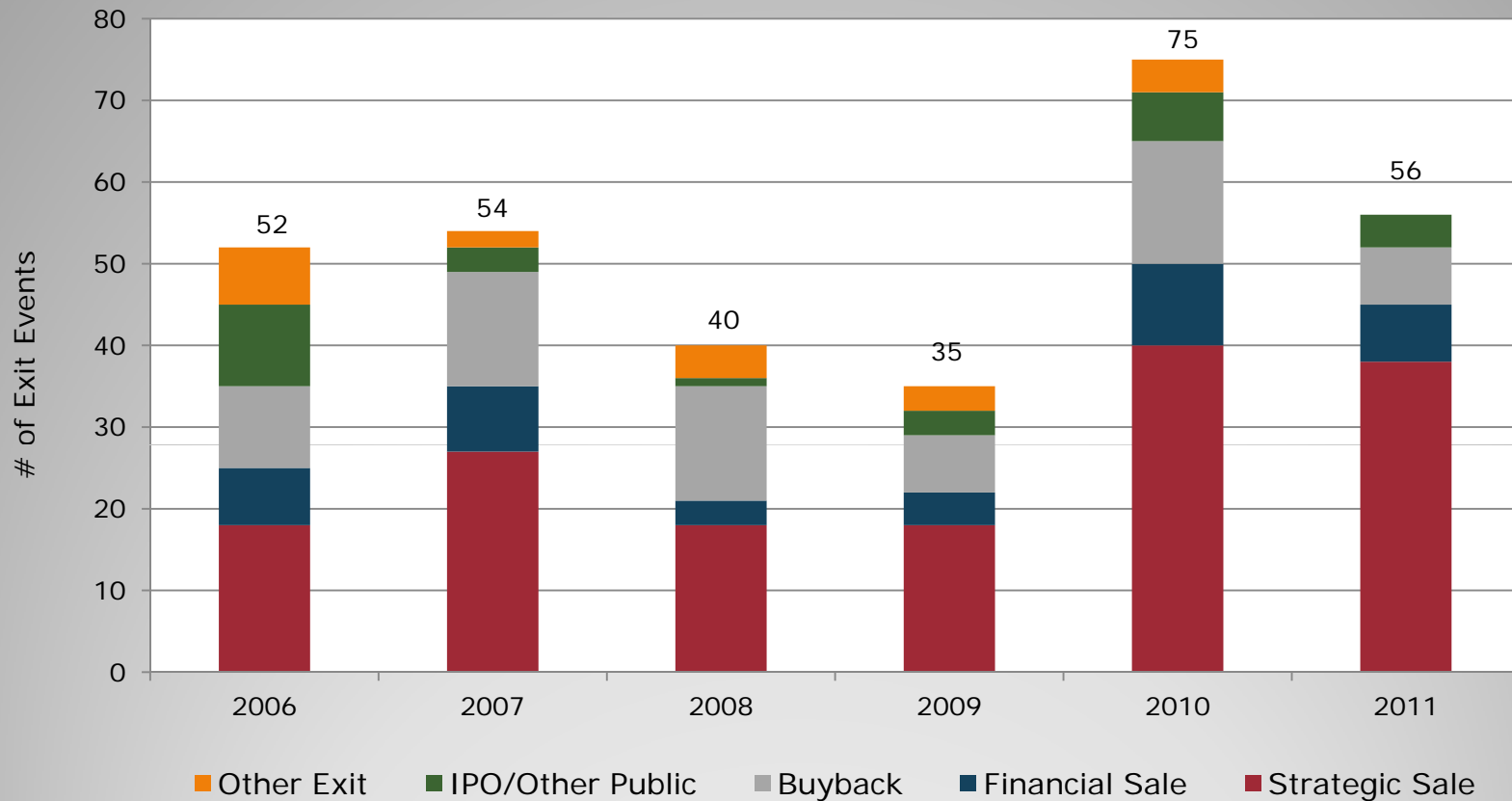
GLOBAL BUYOUT-PE DEALS INVOLVING CANADIAN FUNDS, CAD\$ MILLIONS



## **4. Canadian-Based Buyout & Private Equity-Backed Exit Activity in 2011**







*NB: For clarification of Canadian exit activity data, please see Explanatory Note #10 on pg. 30.*

## Exit Activity Turns In Second-Best Year on Record

BUYOUT-PE-BACKED EXIT INVOLVING CANADIAN BUSINESSES, BY TYPE, 2006-2011



Company	Prov.	Value	Investors
Husky International Ltd.	ON	\$2,100	Onex Corp.
Hudson's Bay Trading Co. – Zellers Inc.	ON	\$1,800	NRDC Equity Partners
Maple Leaf Sports and Entertainment Ltd.	ON	\$1,320	Teachers' Private Capital
GCAN Insurance Co.	ON	\$420	Teachers' Private Capital
Marsulex Inc.	ON	\$420	Birch Hill Equity Partners
Norcast Wear Solutions Inc.	ON	\$216	Castle Harlan
Northern Digital Inc.	ON	\$200	Audax Group, BMO Capital Corp.
Norcast Wear Solutions Inc.	ON	\$190	Pala Investments AG

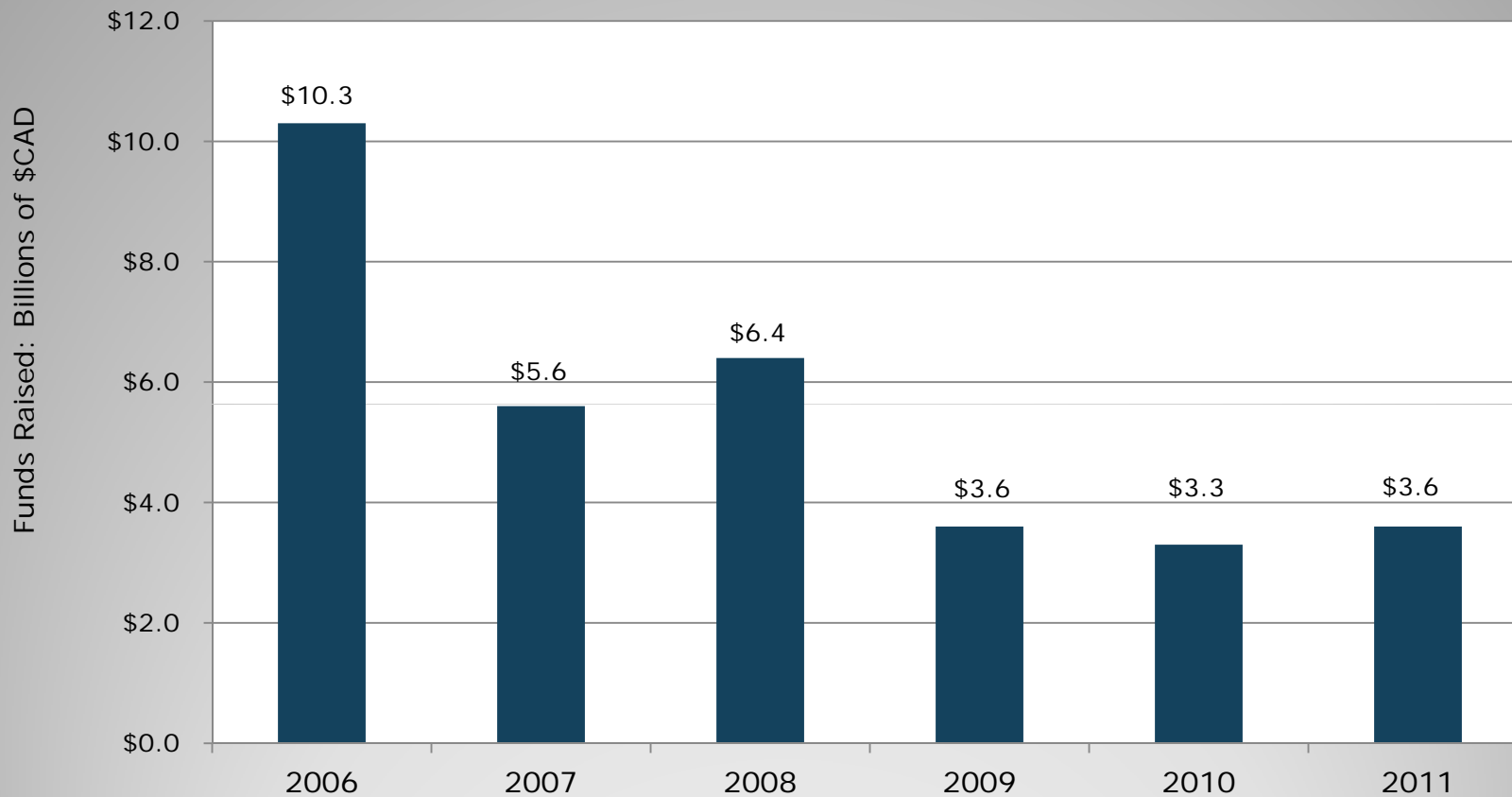
## Top Canadian Exits Via Strategic & Financial Sales (Disclosed), 2011

CAD\$ MILLIONS



## **5. Canadian Buyout & Private Equity Fund-Raising Activity in 2011**





## Fund-Raising Levels Edge Up 10% Year Over Year

NEW COMMITMENTS TO CANADIAN BUYOUT, MEZZANINE & OTHER PE FUNDS, 2006 – 2011



1) Data collected and analyzed by Thomson Reuters for this statistical report were drawn from a variety of sources. These include proprietary sources among the members of Canada's Venture Capital and Private Equity Association (CVCA), Réseau du capital d'investissement du Québec, and other Canadian and non-resident fund managers, responding to Thomson Reuters' annual and quarterly surveys.

2) The data methodology for this report was developed by Thomson Reuters and is comparable to other methodologies used to track trends in comparable national and regional buyout and private equity (PE) markets. CVCA and Réseau members have provided invaluable advice to Thomson Reuters concerning characteristics and issues particular to the Canadian fund management industry and market.

3) All dollar values in this report are represented in Canadian currency unless otherwise specified.

4) Key statistical indicators (e.g., total numbers of deals, 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. Due to strict confidentiality covenants with fund managers, Thomson Reuters has been able to expand the quantity and quality of data that are disclosed for reporting purposes. This is evidenced in comparisons of North American deal information housed in Thomson One – e.g., in 2010, 69% of buyout-PE deals done in Canada reflected disclosed values, while the share for comparable deals done in the United States was 33%.

5) For the purposes of this report, Canadian deals with disclosed values are discussed according to their organization in broad segments, including mega-deals (above \$1 billion), upper mid-market activity (above \$500 million), mid-market activity (below \$500 million), lower mid-market activity (below \$100 million), etc.

6) 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, and mezzanine and other quasi-equity investments. The data also reflect the activity of PE funds focused on businesses in specific sectors (e.g., infrastructure, mining, oil and gas, etc.).

7) The data highlight the continuous domestic deal activity of key Canadian fund types, including private-independent funds, corporate and institutional captive funds, and retail funds. The activity of foreign investors in Canada is also captured.

## Explanatory Notes



8) Definitions of transaction types:

- Control-stake acquisitions: Majority-interest acquisitions (or buyouts) of businesses.
- Publics-to-privates: Control-stake acquisitions in which businesses move from public to private ownership.
- Secondary buyouts: Control-stake acquisitions in which ownership is transferred from one investor to another.
- Minority equity investments: A diverse range of growth-equity and other non-controlling (or minority-interest) investments in businesses.
- Rescues-restructurings: Control-stake acquisitions and other activity involving businesses in financial distress or undergoing major reorganization.
- Acquisitions for expansion: Merger and acquisition events driven by buyout-PE-backed businesses in expansion mode.
- Other: Various other PE deal types and deals for which definitional information is currently insufficient.

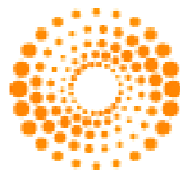
9) The data also highlight the deal-making of Canadian funds in the United States, Europe, Asia, and elsewhere around the world. Statistics in this report reflect instances in which Canadian funds have acted as sponsors, co-sponsors or co-investors in deals in non-resident businesses, or have otherwise engaged in direct investments in these. “Dollars invested” in a given period pertain to the total value of disclosed deals in which Canadian funds have participated (in the case of large-cap deals, typically with foreign partners) and not the specific Canadian financial contributions to these deals.

10) Statistical data pertaining to buyout-PE-backed exit events capture activity involving businesses based in Canada. They do not include exits from non-resident businesses in Canadian fund portfolios.

11) Over time, statistics are subject to continuous change as Thomson Reuters receives new data and as investors and their portfolio companies elect to disclose further details about transactions. In addition, key indicators might change appreciably in the short term due to the circumstance of pending deals. Thomson Reuters locates pending deals in the periods in which they are announced, with related data adjusted at the time of deal closings.

## Explanatory Notes





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