

Canada's Buyout & Private Equity Market in 2012

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



THOMSON REUTERS

1. Overview of Canadian Market Activity in 2012



Canadian buyout-PE market trends

Buyout and related private equity (PE) market activity in Canada showed sustained momentum throughout 2012, with disbursement levels ultimately surpassing those of 2011. At year's end, disclosed deal values totaled \$11.6 billion, just edging out the \$11.5 billion reported the year before, and marking the highest level of dollars invested in the Canadian market in four years.¹

In addition, Canadian buyout-PE deal volume in 2012 was, according to Thomson Reuters' data, the highest on record. Control-stake buyouts, minority investments, restructurings and other PE transactions, both announced and closed, totaled 313 last year, up 4% from 2011, when the previous record was set.

Relative to Q3 2012, Canadian deal-making increased in the last three months of the year, when a total of 66 transactions, reflecting disclosed values of \$4.0 billion, were announced or closed. While the number of deals in this period was lower on a year-over-year basis, dollar flows rose by over 80%.

The fourth quarter saw several major transactions, including the two largest Canadian buyout deals closed in 2012. The Montréal-headquartered Garda World Security Corp. was taken private in this period by British buyout firm Apax Partners for \$1.1 billion. Additionally, the previously-announced \$1.1 billion acquisition of Toronto's Q9 Networks Inc. by BCE Inc., Teachers' Private Capital, Madison Dearborn Partners and Providence Equity Partners was completed. Other major deals in Q4 2012 included a \$150 million investment in Canbriam Energy Inc. of Calgary by Teachers, a \$136 million acquisition of HOMEQ Corp. of Toronto by Birch Hill Equity Partners, and a \$116 million investment in Whistler Blackcomb Holdings Inc. of Vancouver by KSL Capital Partners.

Despite the high profile of mega-deals (i.e., \$1 billion-plus) in the Canadian market in 2012, it was transactions sized between \$100 million to \$500 million that took the largest share of total dollars invested (44%). Larger-caps of more than \$500 million accounted for a 32% share, followed by deals of between \$25 million and \$100 million, which garnered 14%. The remaining 168 transactions sized less than \$25 million accounted for the balance.

Trends in the US buyout-PE market

Buyout-PE market activity in the United States also showed gains in 2012, both in terms of transaction numbers and dollar flows. A total of 2,095 deals were either announced or closed last year, reflecting disclosed values totaling US\$139.4 billion, or 25% more than the US\$111.8 billion of 2011. Disbursement levels nonetheless fell short of levels in 2010, one of the most active years of late in the American market.

¹ Of the 313 deals done in Canada in 2012, 75% had dollar values disclosed to Thomson Reuters.

Overview of Canadian Market Activity in 2012



Canadian market trends by sector

Canadian manufacturing and processing companies led deal-making in 2012, accounting for 15% of total transactions. Not far behind were businesses in mining sectors and in oil and gas sectors, both of which obtained 14% of deals. Substantial shares were also taken by information and media (12%) and retail (12%).

When measured by disclosed disbursements, oil and gas-related activity dominated market trends last year, capturing 28% of the total amount. Businesses in information and media sectors followed with close to one-quarter of deal values. Other leading sectors included transportation (10% of values), financial services (7%) and retail (7%).

Canadian market trends by region

The largest number of Canadian buyout-PE transactions in 2012 involved businesses headquartered in Québec, or 36% of the total number. Ontario held second spot this time around, reflecting one-quarter of the deals, followed by Alberta with a 17% share, and British Columbia with a 15% share.

As Québec was home to some of the most dollars-intensive transactions last year, including the \$1.1 billion acquisition of Garda World Security Corp., it also secured the largest share of disclosed values (38%). Alberta also took a major share of disbursements (27%), followed by Ontario (20%). In 2011, Ontario led the market in dollar flows, accounting for nearly half of the total.

Canadian investor activity in global markets

Canadian buyout-PE funds were more active deal-makers on an international basis in 2012. Large-cap and mid-cap funds led or participated in a total of 71 global transactions last year, or 36% more than in 2011. Disclosed values of these deals totaled \$28 billion, up 56% year over year.² As in past years, the lion's share of the cash went into businesses based in the United States (64%) and Europe (23%).

The fourth quarter of 2012 proved to be the most active period for Canadian activity abroad, as 25 deals were done and \$13.7 billion invested. Contributing to this trend were the final closes of the US\$6.6 billion acquisition of SuddenLink Communications Inc. of St. Louis, Missouri by BC Partners and CPP Investment Board, the US\$2.3 billion acquisition of USI Insurance Services LLC of New York, New York by Onex Corp., and the US\$813 million acquisition of SGS International Inc. of Louisville, Kentucky, also by Onex.

² These data reflect the total value of disclosed global deals, not the specific "Canadian" investor contributions to transactions.

Overview of Canadian Market Activity in 2012



Canadian buyout-PE exit activity

The number of buyout-PE fund realizations of Canadian-based portfolio assets increased significantly in 2012. Totalling 77 at the end of December, liquidity events were up 20% from 2011, and up 3% from 2010, which was a record year for exit activity in the domestic market.

Strategic sales continued to propel exit trends, accounting for 70% of the total number last year. Between October and December, this activity was illustrated by the sale of the Toronto-based Cookie Jar Entertainment Inc. to DHX Media Inc. for \$111 million, a transaction which gave exits to Birch Hill Equity Partners and OMERS Private Equity. Financial acquisitions (i.e., sales of companies between buyout-PE investors) accounted for the second largest share of total exits in 2012, or 16%.

Opportunities for selling portfolio holdings in public markets appeared to be no more plentiful in 2012 than they were in 2011. However, the fourth quarter saw one major initial public offering (IPO) involving a Canadian business backed by a buyout-PE fund. In this period, retail icon Hudson's Bay Trading Co., a portfolio company of NRDC Equity Partners, completed an IPO, raising \$365 million.

Trends in Canadian buyout-PE fund-raising

Canadian buyout, mezzanine and other PE fund -raising activity increased on a year-over-year basis in 2012. New capital totaling \$4.6 billion was committed to 23 domestic funds, up 24% from the amount committed to 18 funds the year before.

Fund-raising trends last year preferred a wide range of new partnerships by market focus, including energy-focused private equity partnerships, mezzanine and quasi-equity partnerships, mid-cap buyout partnerships, small-cap buyout partnerships and others.

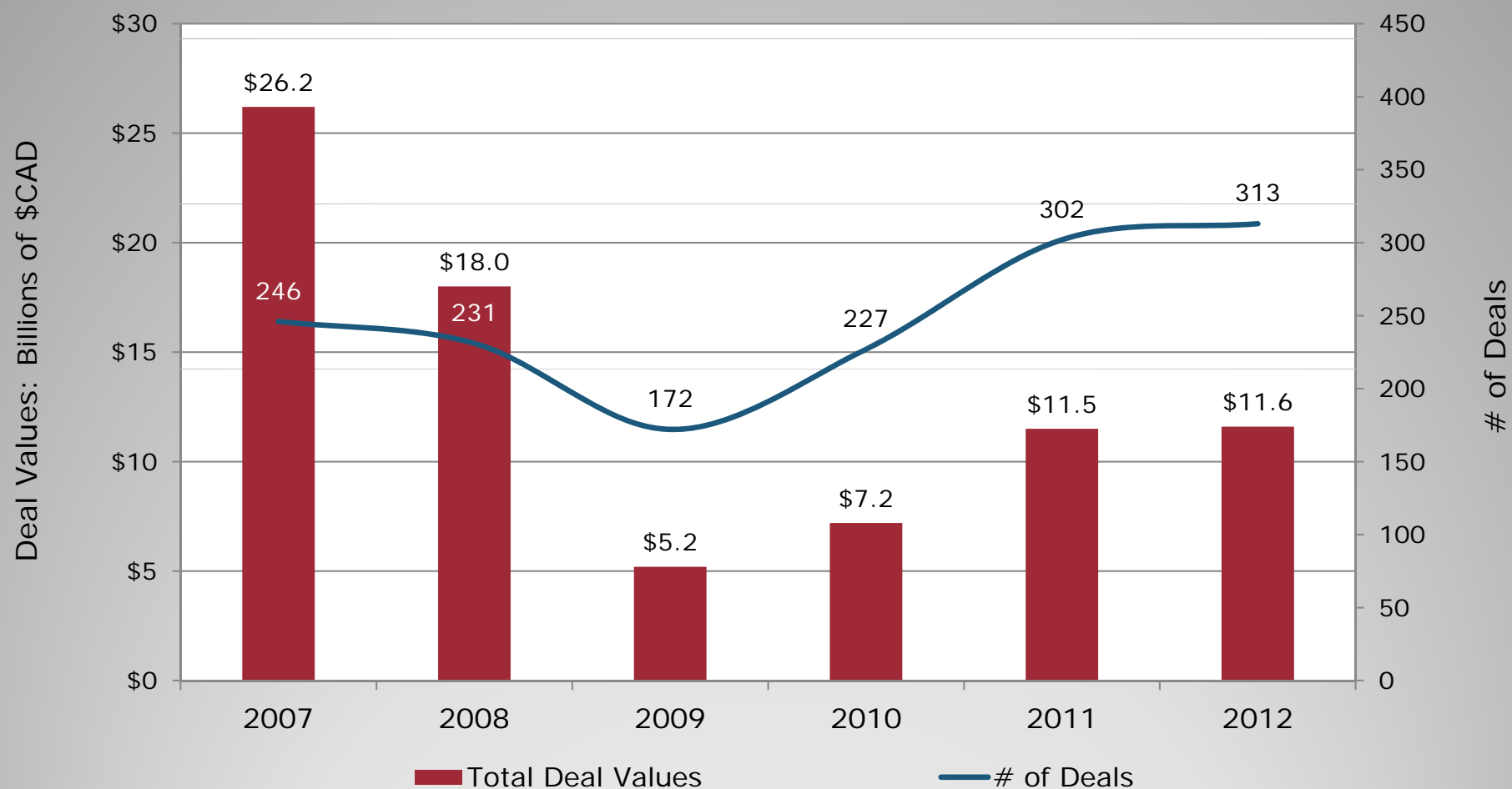
Among the largest final closings (disclosed) in 2012 were the \$1 billion ARC Energy Fund 7, managed by ARC Financial Corp. of Calgary, the \$460 million Penfund Capital Fund IV, managed by Penfund of Toronto, the \$350 million TriWest Capital Partners IV LP, managed by TriWest Capital Partners of Calgary, and the \$193 million Fulcrum Capital Partners Fund IV, managed by Fulcrum Capital Partners of Vancouver.

Overview of Canadian Market Activity in 2012



2. Buyout & Private Equity Market Activity in Canada in 2012



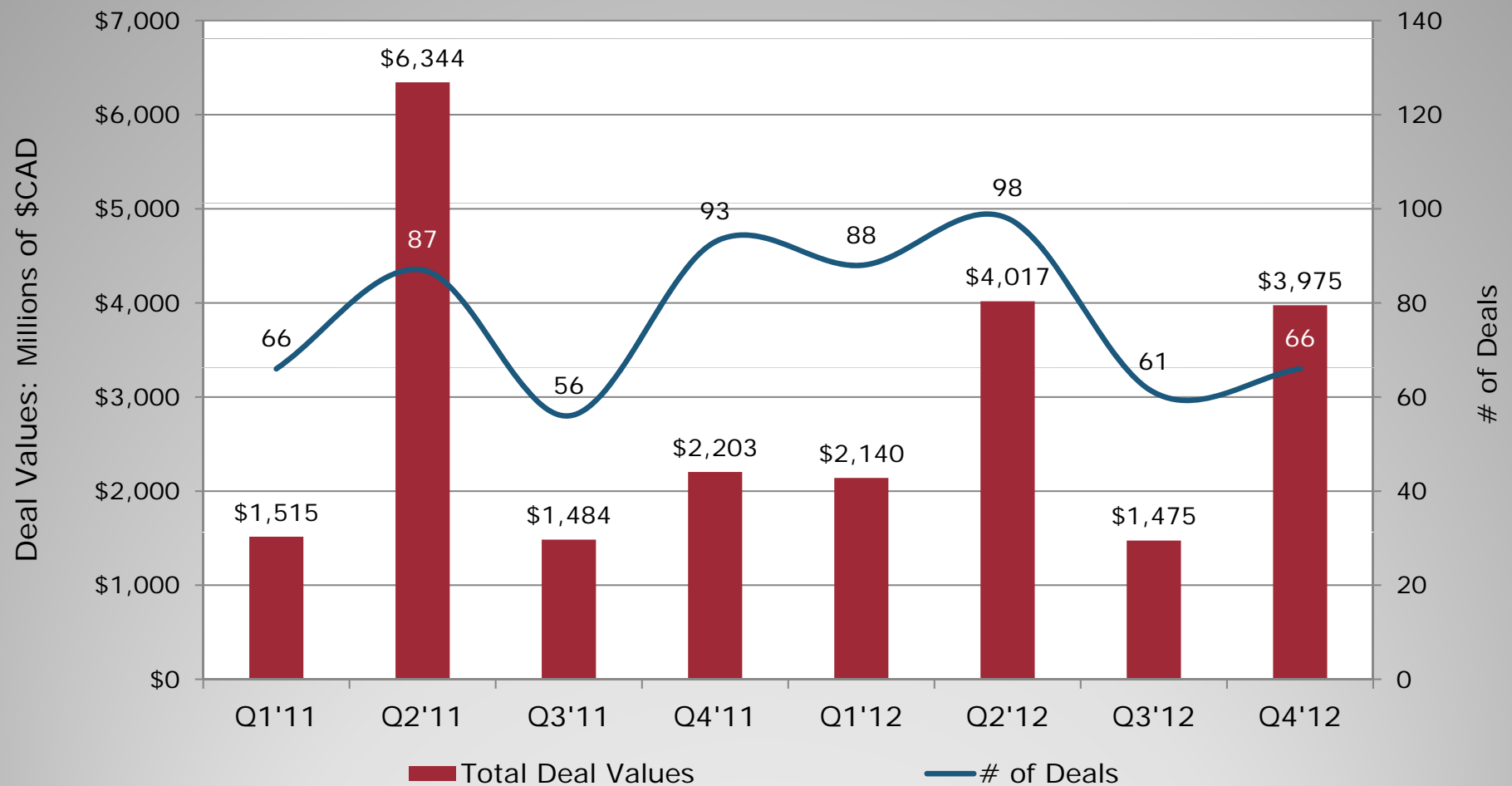


NB: For a discussion of key data methodology issues, please see explanatory notes on pg. 28-29.

In 2012, Deal-Making Hits New Peak, Values Edge Higher

BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) IN CANADA, 2007 - 2012



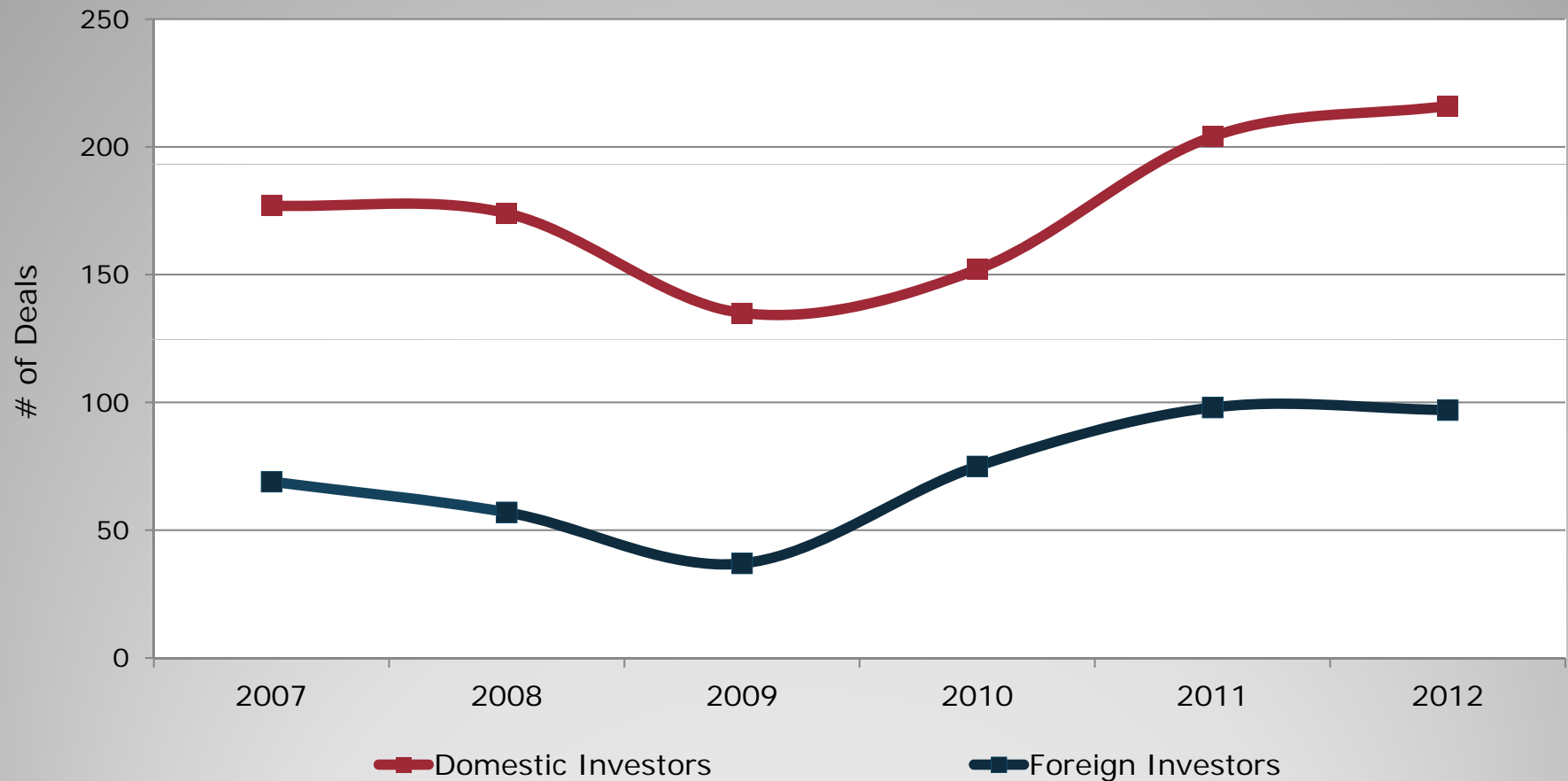


NB: For a discussion of key data methodology issues, please see explanatory notes on pg. 28-29.

Canadian Market Sees Strong Q4 in Dollar Terms

BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) IN CANADA, Q1 2011 – Q4 2012



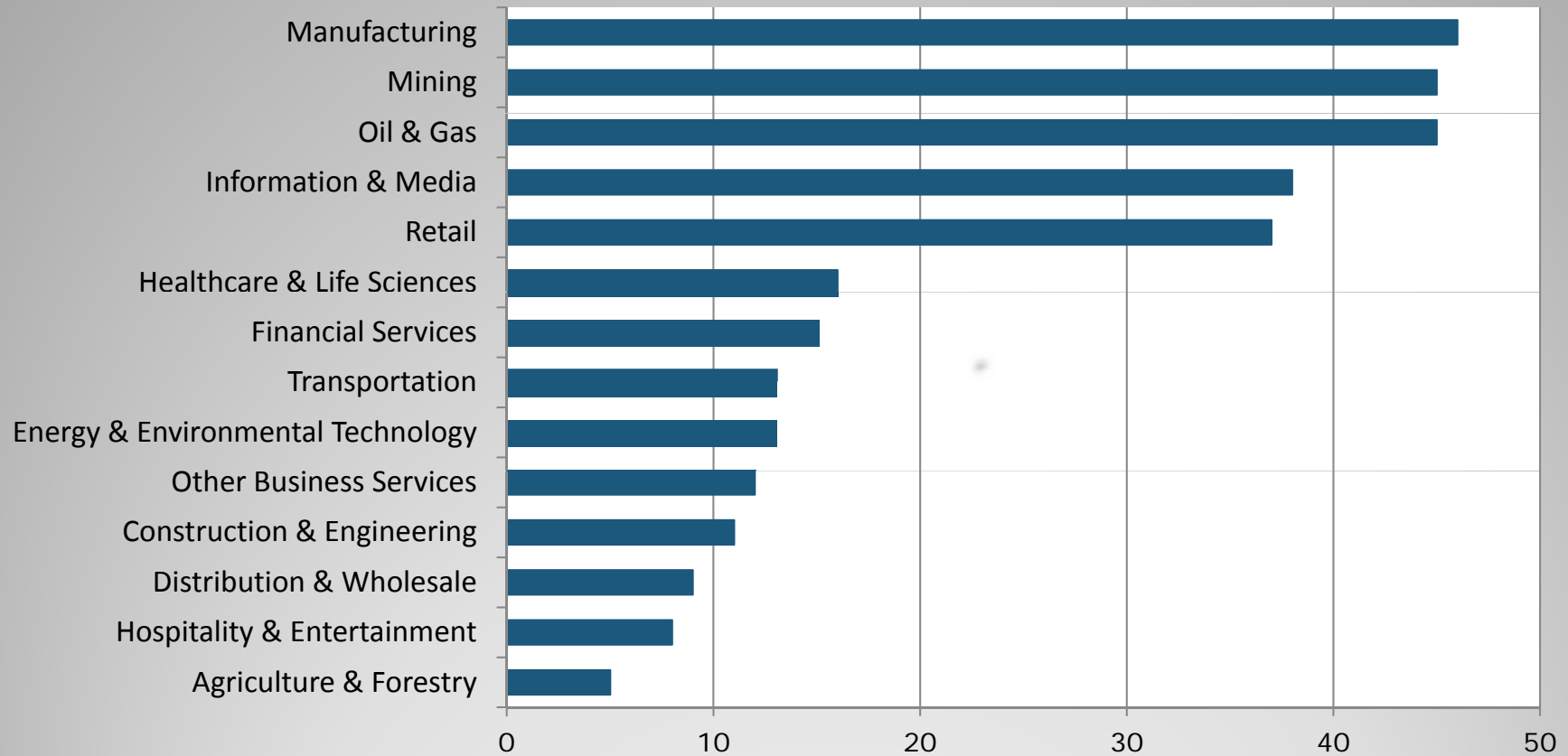


Canadian Funds Account for 69% of Deals in 2012

CANADIAN BUYOUT-PE DEAL ACTIVITY BY DOMESTIC & FOREIGN INVESTORS, 2007 - 2012



Total Deals: 313

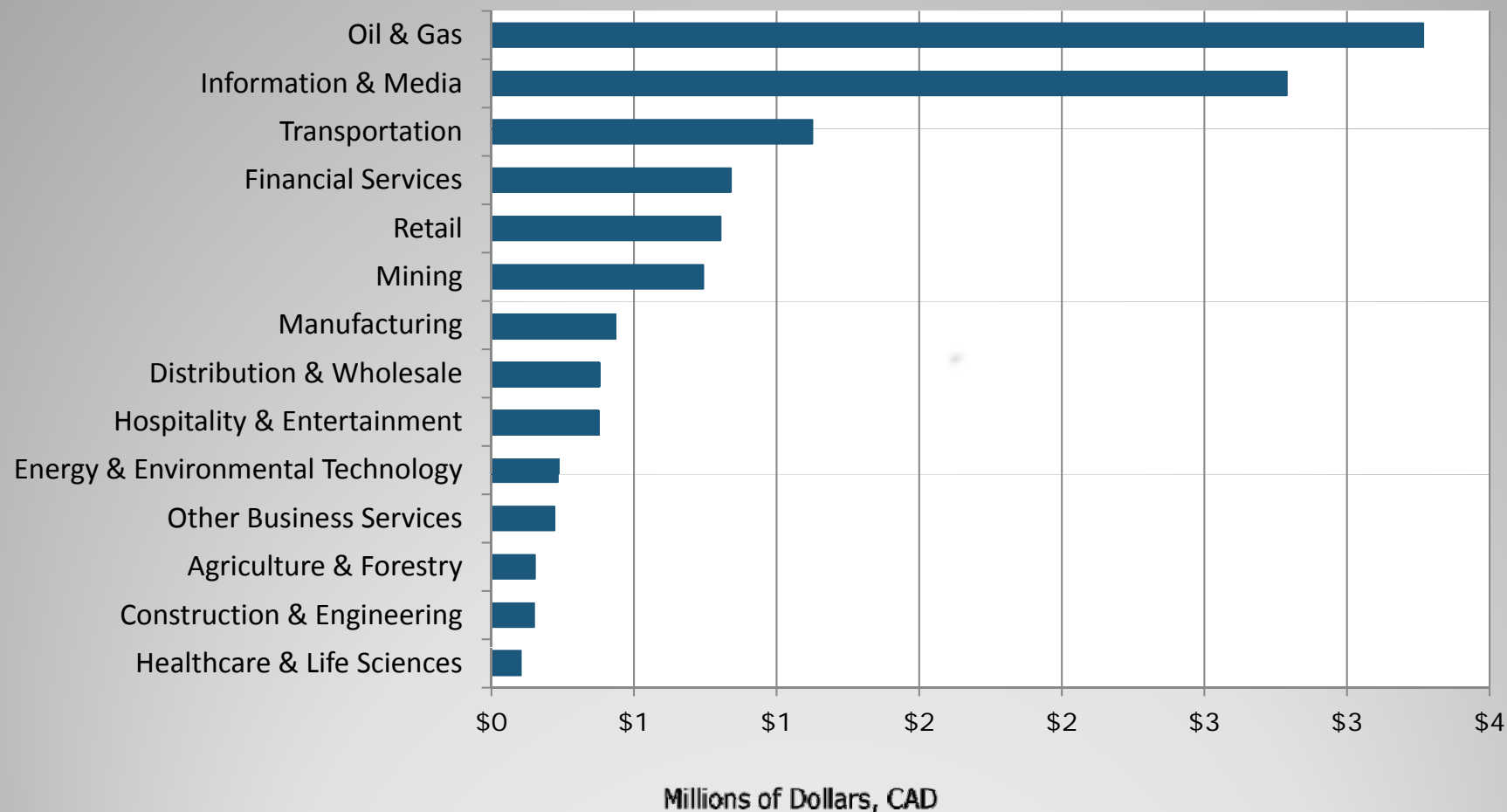


Manufacturing, Resource Extraction Lead Deal-Making

CANADIAN BUYOUT-PE DEAL VOLUME BY SECTOR, 2012



Total Invested: \$11.6 Billion



Most Cash Goes to Oil Patch, Information & Media

CANADIAN BUYOUT-PE DISBURSEMENTS (DISCLOSED) BY SECTOR, 2012



Deal Range	# of Deals Done	Dollars Invested (Disclosed)
> \$1 Billion	3	\$3,200 Million (28%)
\$500 Million - \$1 Billion	1	\$500 Million (4%)
\$100 Million - \$500 Million	27	\$5,101 Million (44%)
\$25 Million - \$100 Million	35	\$1,671 Million (14%)
< \$25 Million	168	\$1,134 Million (10%)
Deal Values Undisclosed	79	\$0 (0%)

Total Deals With Disclosed Values: 234 (of 313)
Total Invested: \$11.6 Billion

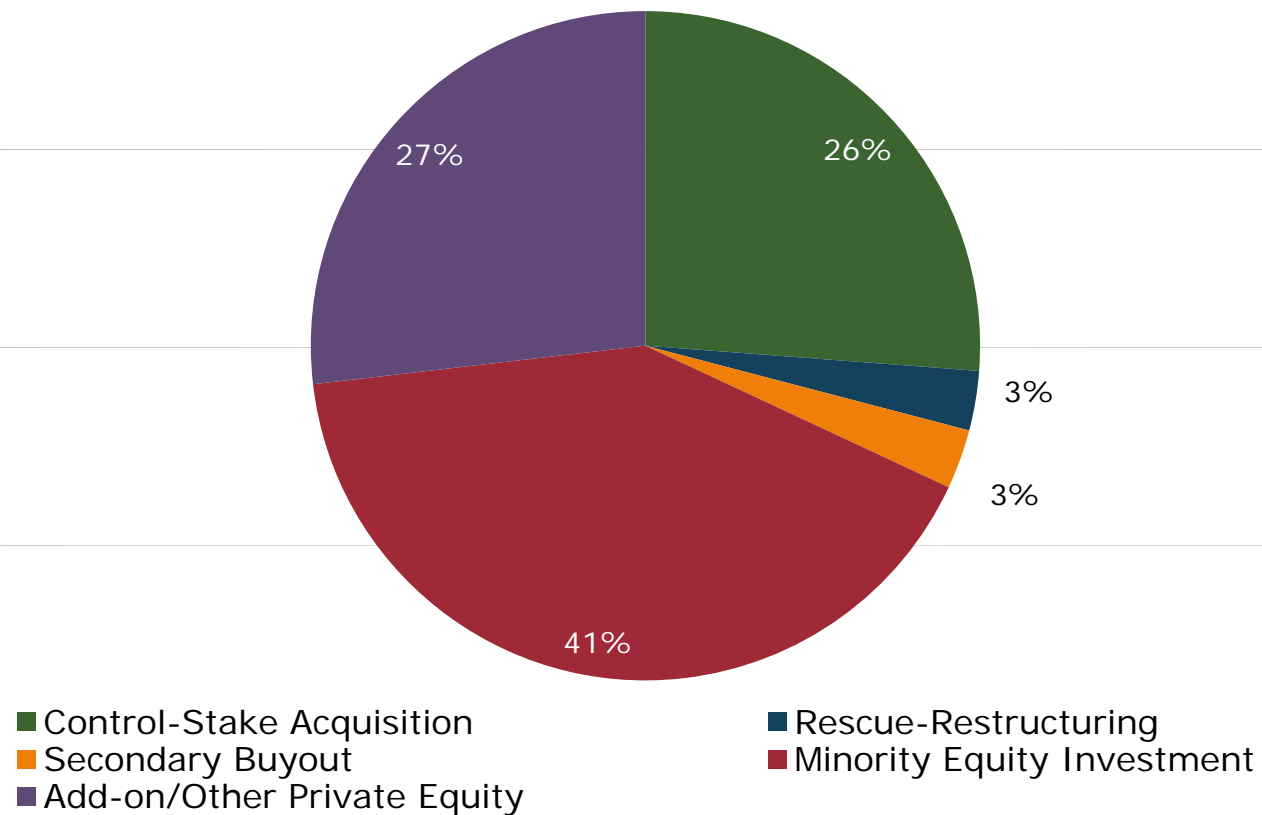
NB: For a discussion of domestic market segments, please see Explanatory Notes #4 & 5 on pg. 28.

Deals Sized \$100 Million-\$500 Million Take 44% of Dollars

CANADIAN BUYOUT-PE DEALS BY MARKET SEGMENT, 2012



Total Deals: 313



NB: For definitions of transaction types, please see Explanatory Note #8 on pg. 29.

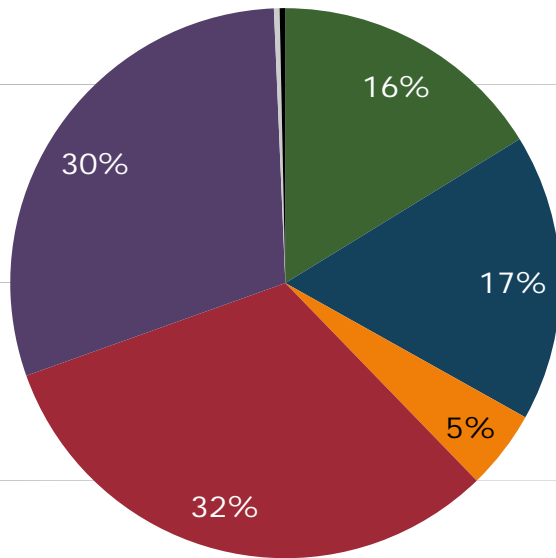
Buyout & Minority Transactions Propel Trends in 2012

CANADIAN BUYOUT-PE DEAL VOLUME BY TRANSACTION TYPE, 2012

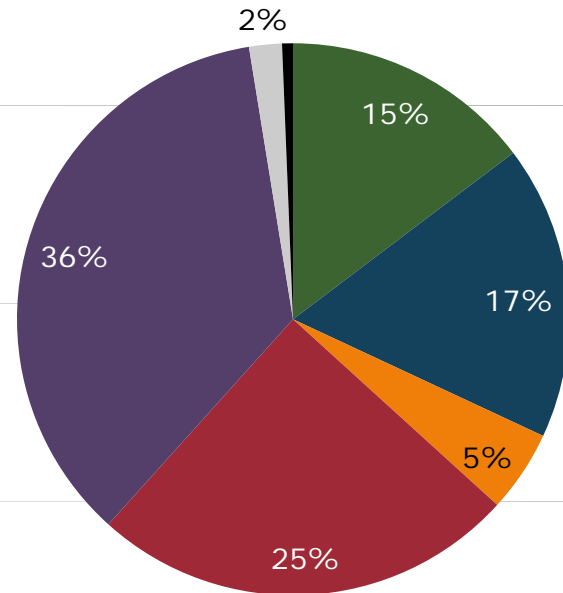


Total Deals in 2011: 302

Total Deals in 2012: 313



- British Columbia
- Alberta
- Ontario
- Québec
- Territories



- Manitoba-Saskatchewan
- Atlantic Canada

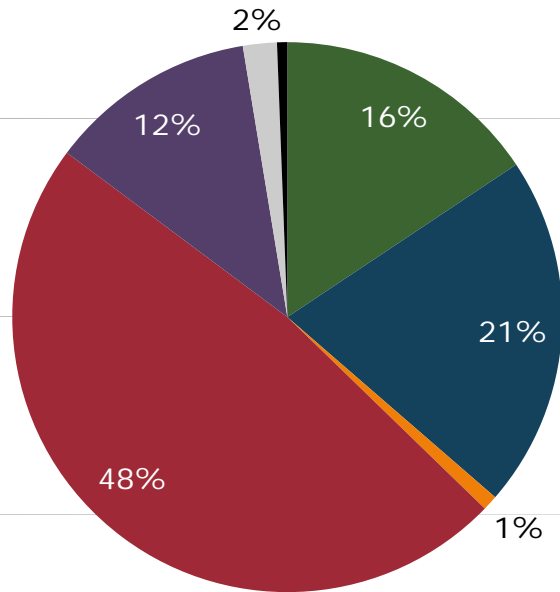
Québec & Ontario Account For Majority of Deals

CANADIAN BUYOUT-PE DEAL ACTIVITY BY REGION, 2011 & 2012

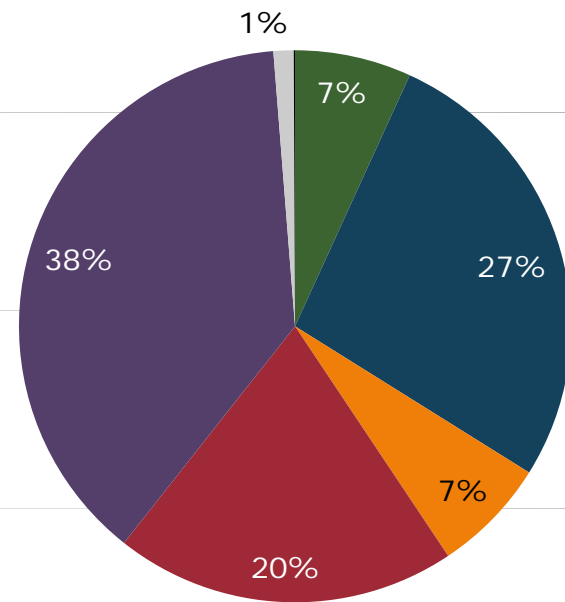


Total Invested in 2011: \$11.5 Billion

Total Invested in 2012: \$11.6 Billion



- British Columbia
- Ontario
- Territories
- Alberta
- Québec

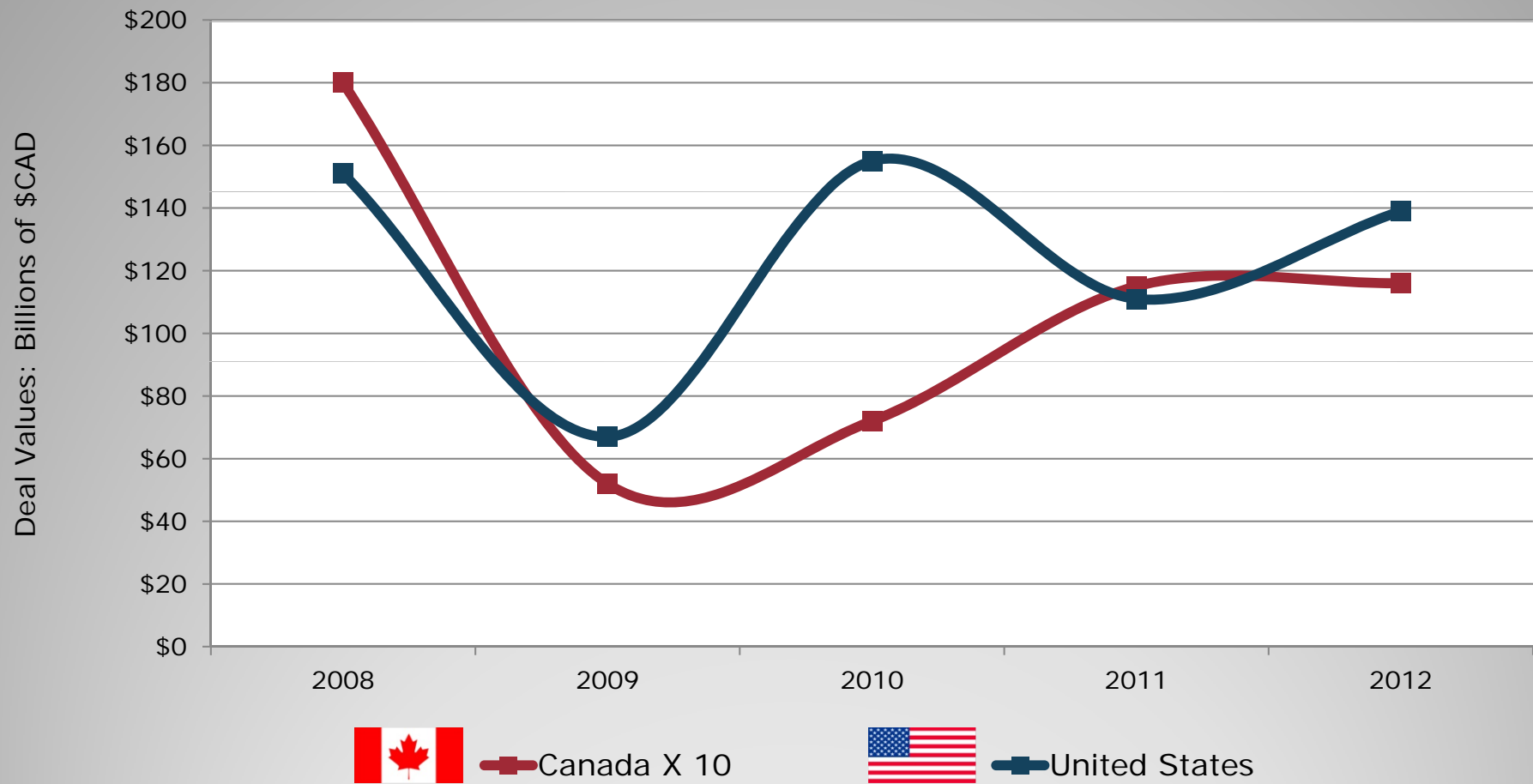


- Manitoba-Saskatchewan
- Atlantic Canada

Large-Cap Deals Give Québec Sizeable Share of Dollars

CANADIAN BUYOUT-PE DISBURSEMENTS BY REGION, 2011 & 2012





Deal Values Up Across North American Market

BUYOUT-PE DISBURSEMENTS (DISCLOSED) IN CANADA & UNITED STATES, 2008 - 2012



Company	Prov.	Value	Investors
Garda World Security Corp.	QC	\$1,100	Apax Partners, Other Investors
Q9 Networks Inc.	ON	\$1,100	BCE Inc., Teachers' Private Capital, Providence Equity Partners, Madison Dearborn Partners
CGI Group Inc.	QC	\$1,000	Caisse de dépôt et placement du Québec
Osum Oil Sands Corp.	AB	\$500	KERN Partners, Blackstone Private Equity, Warburg Pincus, Other Investors
Arctic Glacier Inc.	MB	\$436	HIG Capital
Turquoise Hill Resources Ltd.	BC	\$426	Temasek Holdings

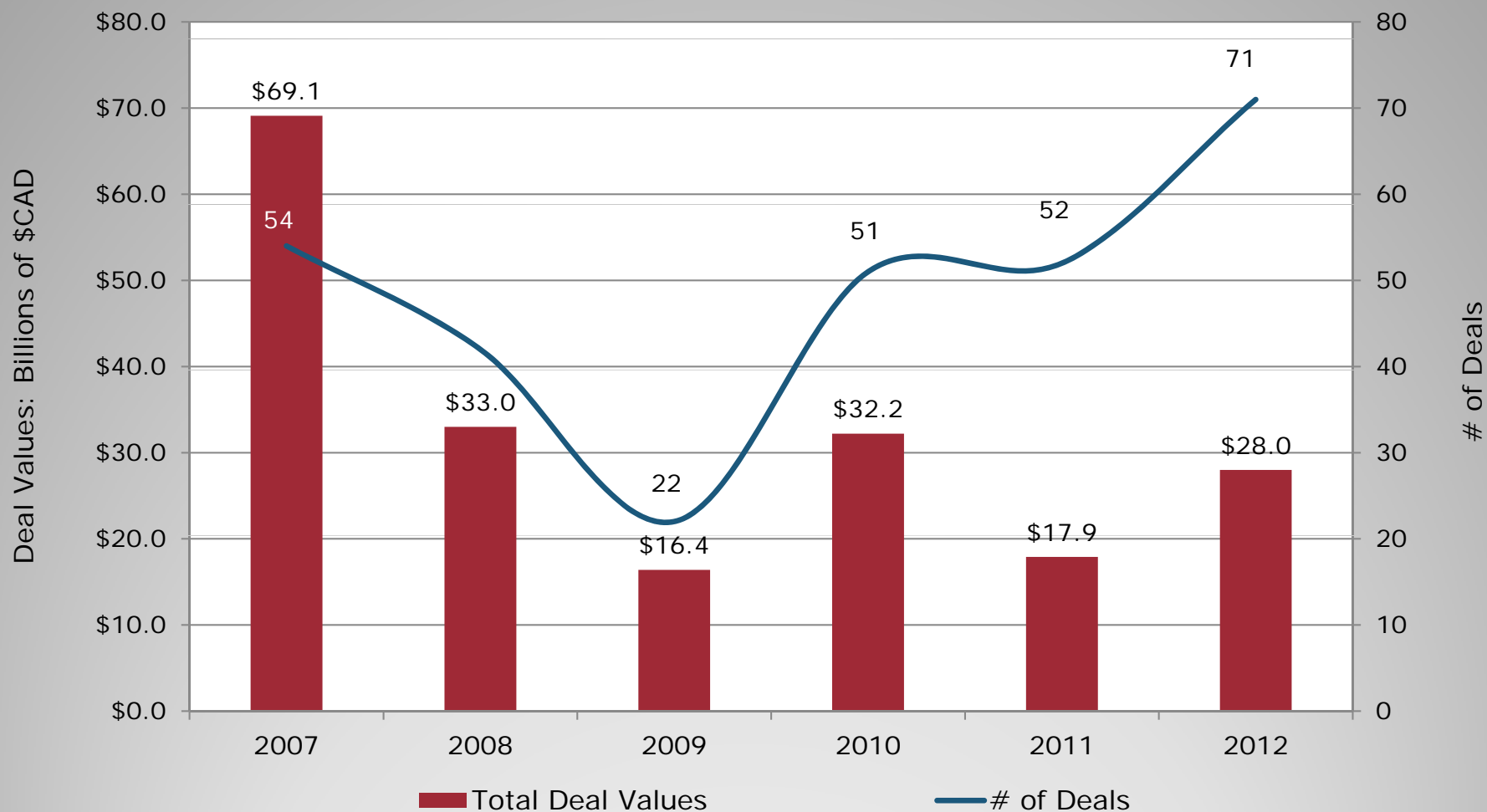
Top Canadian Buyout-PE Deals (Disclosed) in 2012

CAD\$ MILLIONS



3. Canadian Fund Activity in Global Buyout & Private Equity Markets in 2012



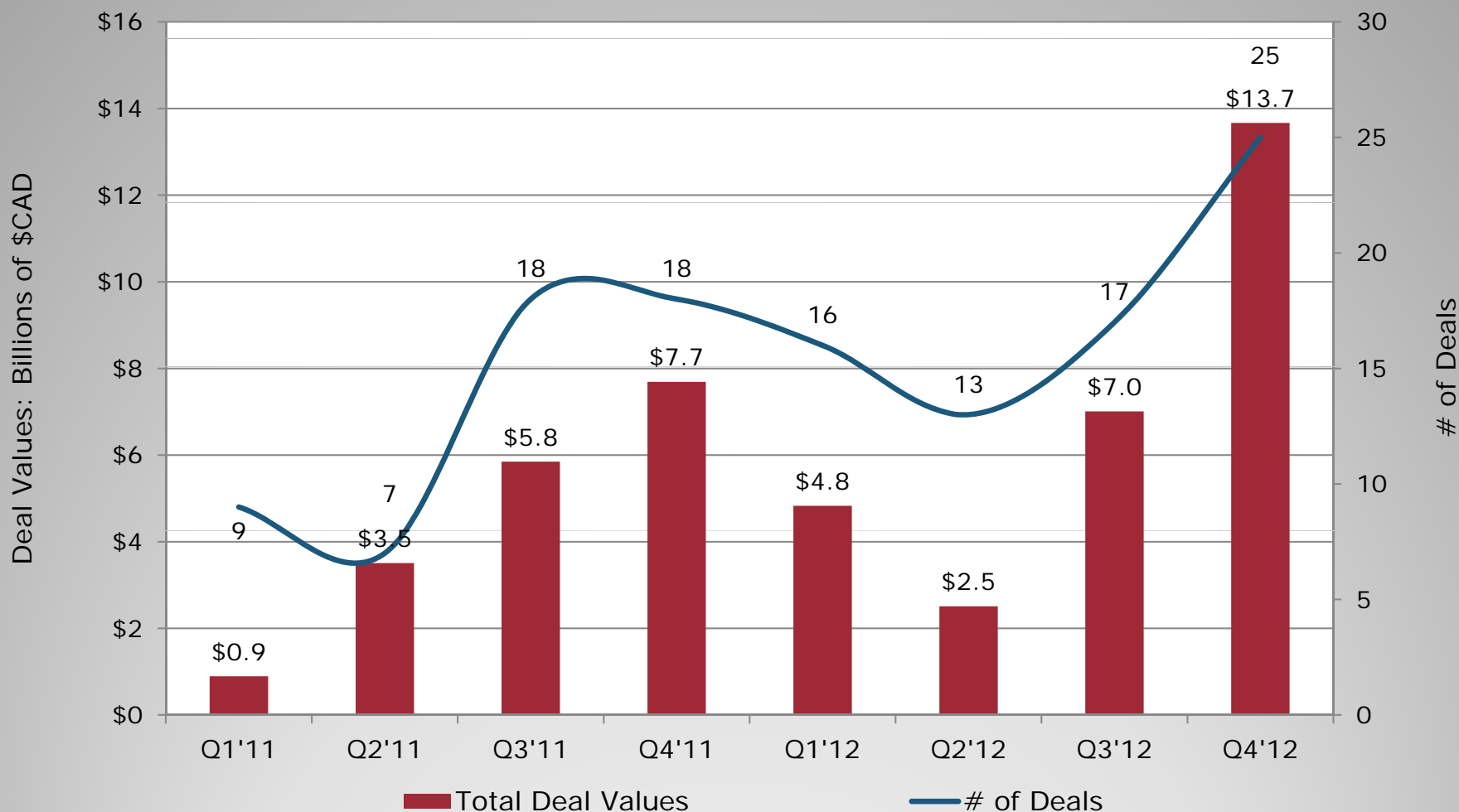


NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 29.

Canadian Disbursements Abroad Rise 56% in 2012

GLOBAL BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) INVOLVING CANADIAN FUNDS, 2007 - 2012





NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 29.

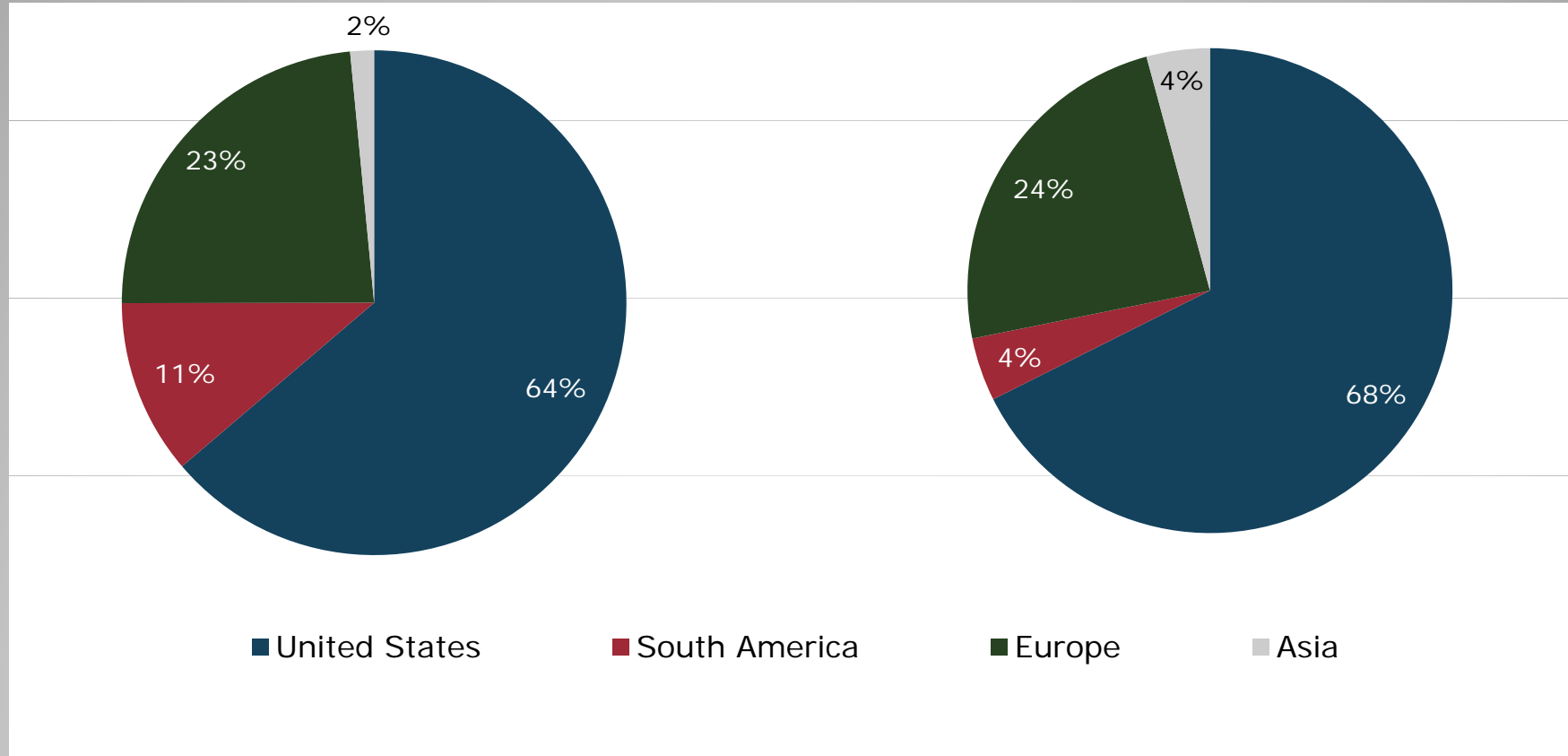
Global Deal-Making Hits Highest Point Since Q3 2008

GLOBAL BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) INVOLVING CANADIAN FUNDS, Q1 2011 – Q4 2012



Total Invested: \$28.0 Billion

Total Deals: 71



NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 29.

Canadian Transactions Focused on US, Europe

GLOBAL BUYOUT-PE DEAL ACTIVITY INVOLVING CANADIAN FUNDS BY REGION, 2012



Company	Nation	Value	Investors
Suddenlink Communications Inc.	USA	\$6,558	BC Partners, CPP Investment Board
Open Grid Europe GmbH	Germany	\$3,937	Macquarie Infrastructure & Real Assets, British Columbia Investment Management Corp.
USI Insurance Services LLC	USA	\$2,288	Onex Corp.
Arteris SA	Brazil	\$1,700	Brookfield Infrastructure Partners
99 Cents Only Stores Inc.	USA	\$1,637	Ares Management, CPP Investment Board
Blue Coat Systems Inc.	USA	\$1,300	Teachers' Private Capital, Thoma Bravo

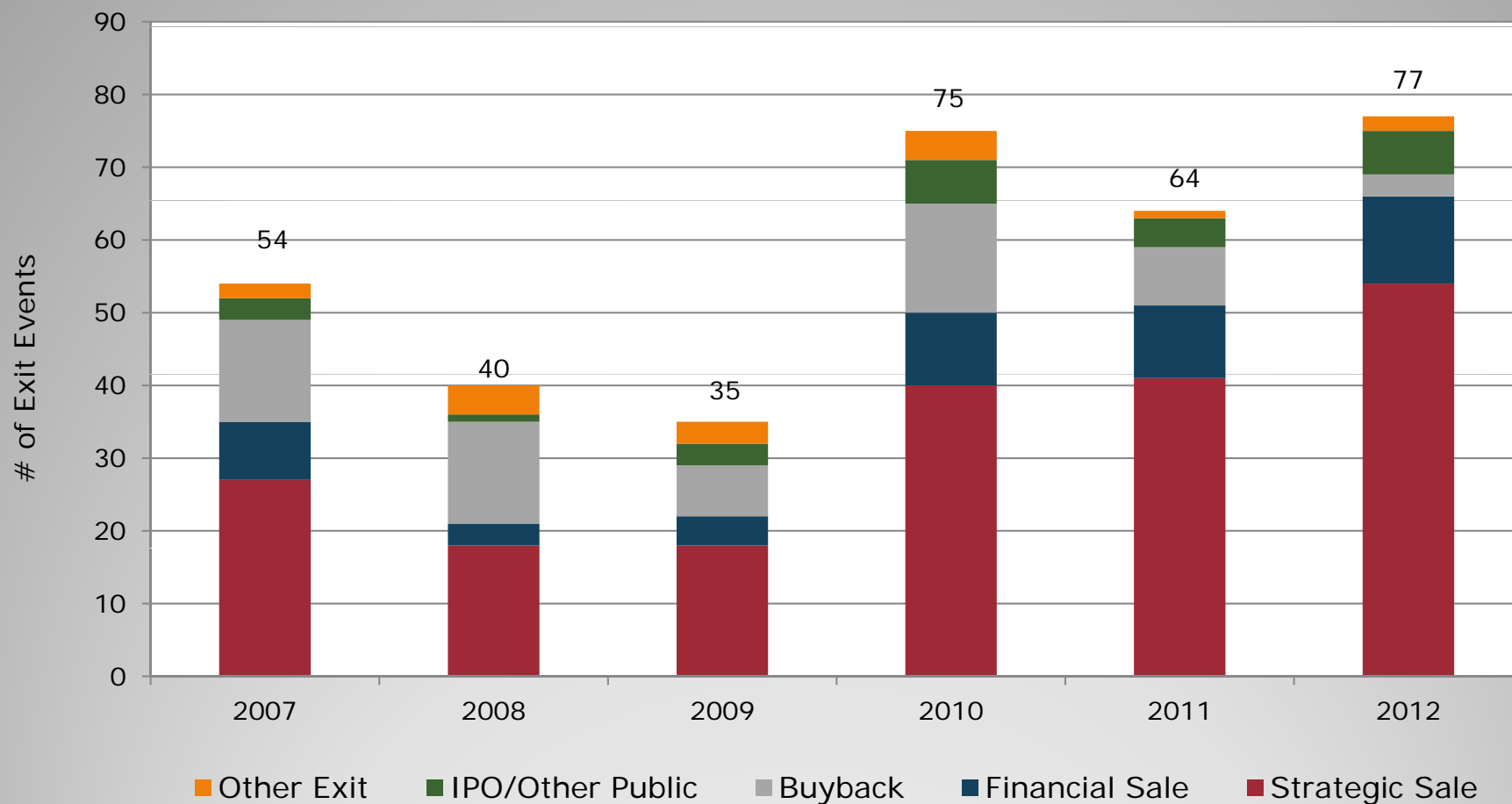
Canadian Funds Essential to Top International Deals

GLOBAL BUYOUT-PE DEALS INVOLVING CANADIAN FUNDS, CAD\$ MILLIONS, 2012



4. Canadian-Based Buyout & Private Equity-Backed Exit Activity in 2012





NB: For clarification of Canadian exit activity data, please see Explanatory Note #10 on pg. 29.

Strategic Sales Key to 20% Increase in Exit Activity

BUYOUT-PE-BACKED EXIT INVOLVING CANADIAN BUSINESSES, BY TYPE, 2007-2012



Company	Prov.	Value (\$ MM)	Investors
Viterra Inc.	SK	\$6,100	Alberta Investment Management Corp.
Progress Energy Resources Corp.	AB	\$5,500	CPP Investment Board
Maple Leaf Sports and Entertainment Ltd.	ON	\$1,320	Teachers' Private Capital
Q9 Networks Inc.	ON	\$1,100	ABRY Partners
Ocean Nutrition Canada Inc.	NS	\$540	Richardson Capital
Gemcom Software International Inc.	BC	\$356	JMI Equity, The Carlyle Group, Pala Investments AG

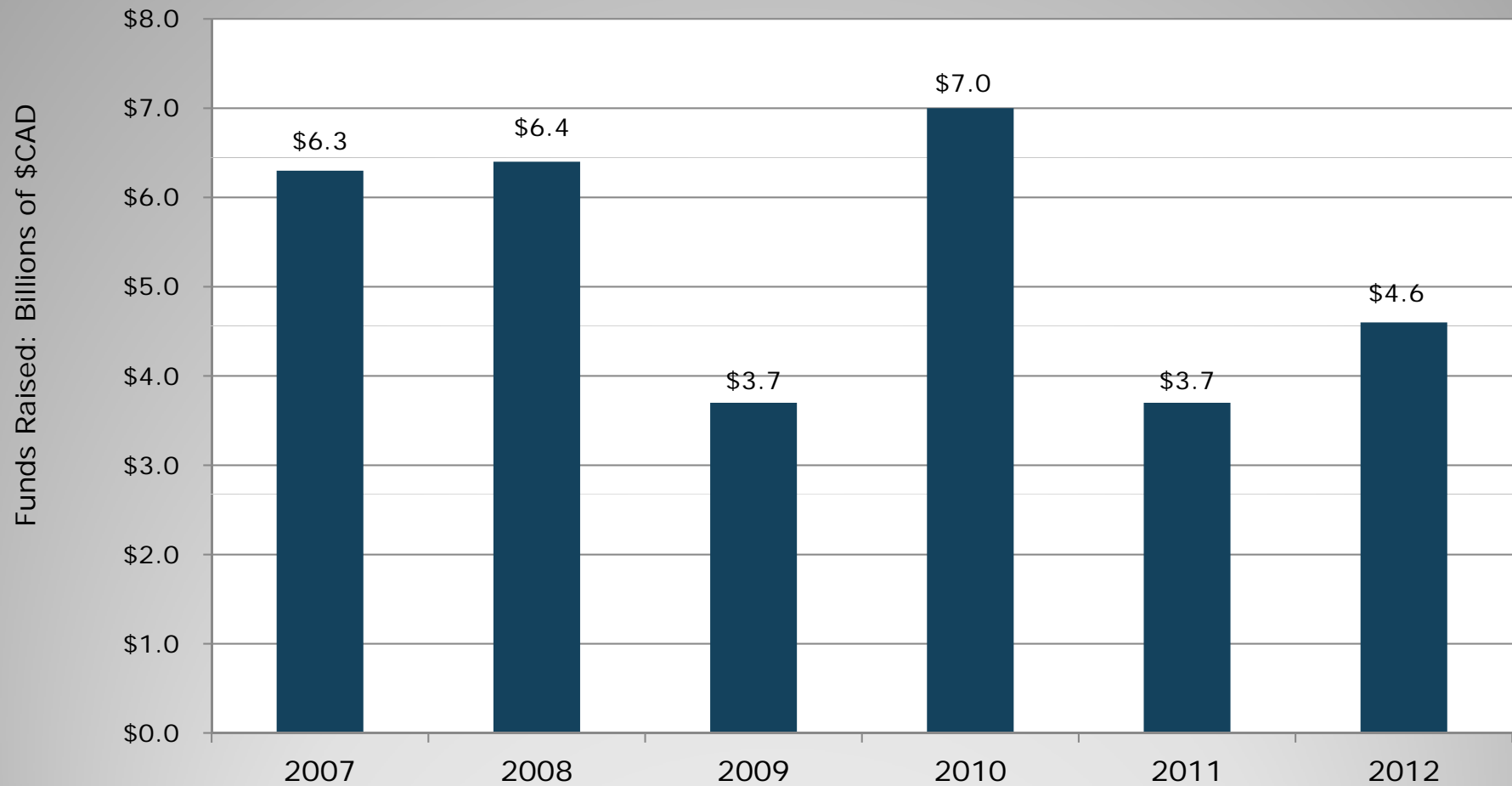
Top Canadian Strategic & Financial Sales (Disclosed), 2012

CAD\$ MILLIONS



5. Canadian Buyout & Private Equity Fund-Raising Activity in 2012





Buyout-PE Fund-Raising Grows 24% Year Over Year

NEW COMMITMENTS TO CANADIAN BUYOUT, MEZZANINE & OTHER PE FUNDS, 2007 – 2012



- 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 2012, 75% of buyout-PE deals done in Canada reflected disclosed values.
- 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.

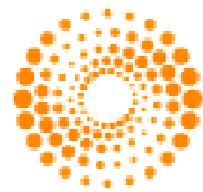
9) The data also highlight the deal-making of Canadian funds in the United States, Europe, Asia, and elsewhere around the world. Statistics in this report reflect instances in which Canadian funds have acted as sponsors, co-sponsors or co-investors in deals in non-resident businesses, or have otherwise 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





THOMSON REUTERS