

# Going Private Transactions

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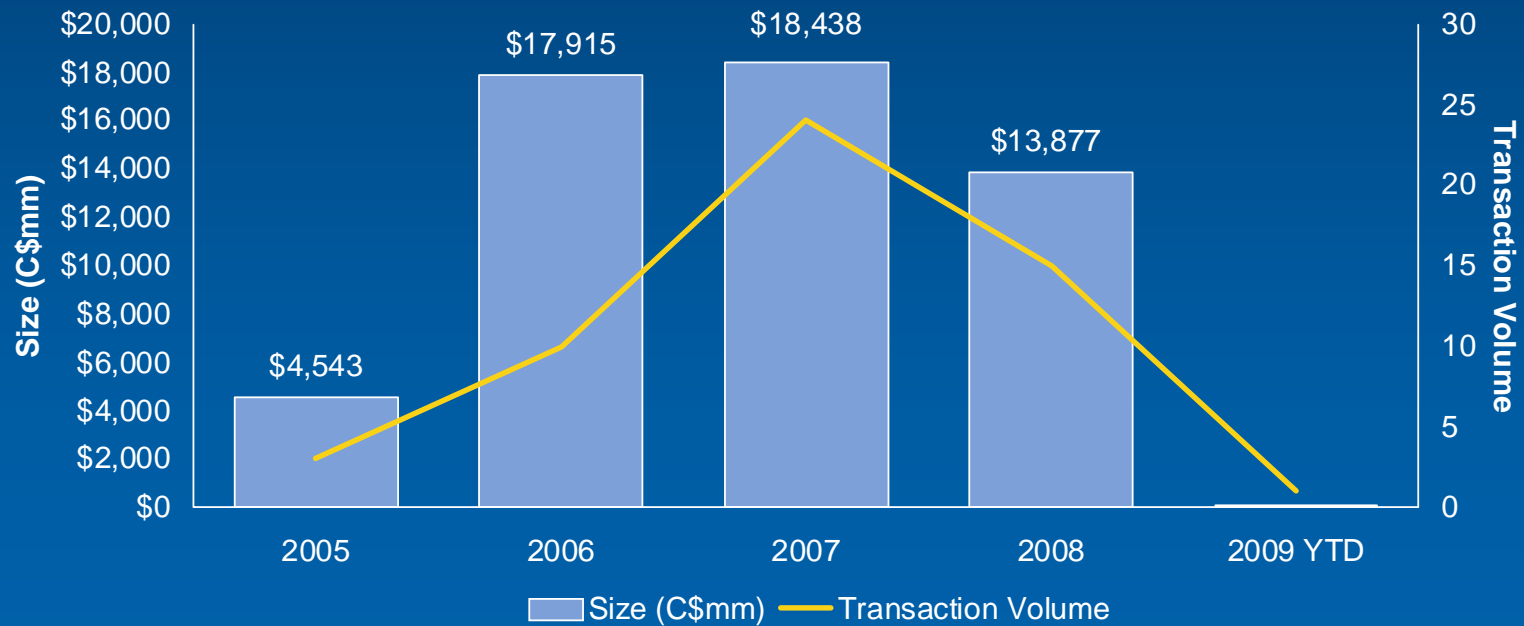
May 27<sup>th</sup>, 2009



RBC Capital Markets®

# Canadian Privatizations (2005 – 2009 YTD)

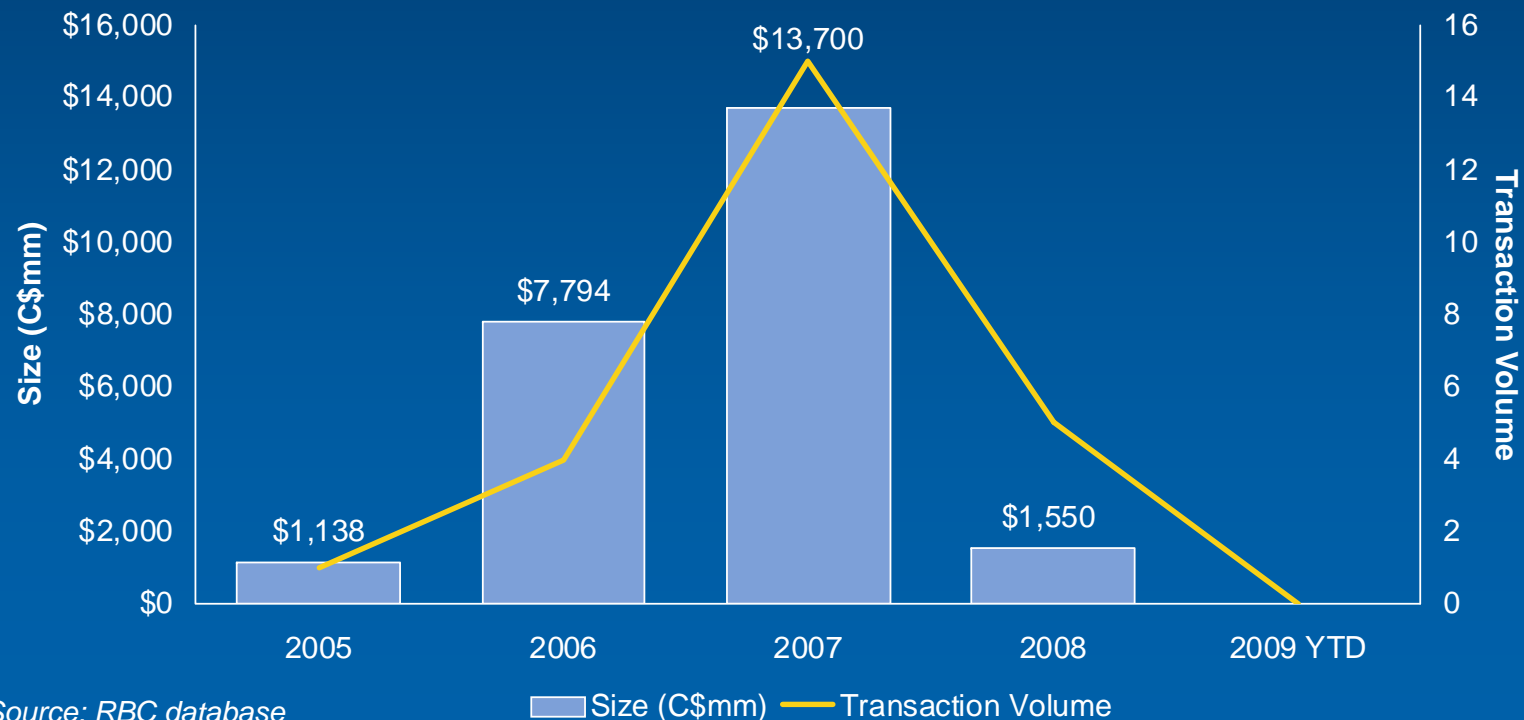
- Following looks at Canadian “Going Private” transactions over the past 5 years
  - Buyouts by financial sponsors
  - Buyouts by insiders
- Transaction values remain relatively constant 2006 through 2007 with deal volumes peaking in 2007



Source: RBC database

# Canadian Privatizations – Financial Sponsors (2005 – 2009 YTD)

- Following looks only at Canadian “Going Private” transactions involving a financial sponsor
- 2007 represented a much higher level of activity then ever before
  - Majority of transactions involved income funds



# What's Happened in 2009 To Date

- Activity in terms of announced deals is limited
  - Price gap between buyers and sellers
  - Challenged financing market
  - Uncertainty around business performance
- Past several months have seen increased levels of discussion
  - Better visibility on economy and performance
  - Relative loosening of credit markets
  - Greater acceptance of current valuation levels

# Where Are The Opportunities?

## Closely Held Companies

- Companies held 20% – 50+% by management or other insiders
- Insiders may view current valuation as a opportunity
- Lack financial resources to privatize without a partner

## Income Trusts

- Despite corporate conversions and M&A activity still over 100 business trusts remain public
- Rationale for remaining public in many cases is lacking
- Conversion process forces boards to make “strategic” decisions

## Financial Pressure

- Company’s with capital structure issues can be more open to M&A transactions
- Issues may not mean the company is currently in financial distress

## Broadly Held Companies

- Challenge is to convince them privatization is in shareholder best interest in context of current market

# Debt Financing of Going Private Transactions

- Debt financing of going private transactions is possible within the current market environment
  - Current Market Capacity
    - Maximum is likely \$500 million, most transactions smaller, and structured as “club deals”
  - Credit Profile
    - Lenders/investors prefer higher rated credits and transactions that have a strong ‘BB’ rating
  - Tranching
    - Current conditions favour all senior structures
  - Tenor
    - Transactions have shorter tenors, bank deals inside 3-years, bond deals inside 5 – 7 years
  - Defensive Sectors
    - Focus on defensive, non-cyclical industry sectors
- Several key market trends have led to improved access to financing
  - Recovery in the high yield bond market
  - Improving secondary loan market
  - Investment grade bond continues to be active