

CVCA H1 2017 PE Canadian Market Overview: Strongest Quarter Since Q3 2015; Breakout Year for Exits

PE investment sees \$13.9B invested over 277 deals with 80 exits in H1 2017; already exceeding the number of exits in each of the last four years

August 23, 2017 – Toronto, ON – Canadian private equity has seen a major bounce-back in the first half of 2017, with \$13.9B invested across 277 deals—already surpassing the \$13.8B invested in all of 2016. A staggering \$8.9B was invested over 170 deals in the second quarter of 2017, which is 79% higher than the \$5B invested in Q1, and an astounding 164% greater than Q2 2016. In fact, Q2 2017 investment is the highest quarter since Q3 2015 when \$11.4B was invested.

In H1 2017, PE saw 80 exits, exceeding the number of exits in each of the last four years. There were 61 exits in 2016, 66 in 2015, 66 in 2014 and 75 in 2013. The 80 exits in H1 2017 includes the \$2.2B exit from Montreal-based **Garda World Securities**, sold to **Rhone Capital** by **Apax Partners**, and two IPOs: the \$445M dual listing of the iconic **Canada Goose** (TSE/NYSE: GOOS) as well as the \$100M debut of **STEP Energy Services Ltd.** (TSE: STEP).

The oil, gas and power sector – once a thriving sector for PE investment – has seen a consistent quarter-over-quarter slowdown, capturing only a stark 9% of all PE deals in the first half of 2017—a 19% drop from 2013.

Conversely, Canada is seeing a steadily increasing pick-up in PE investment in both the industrial and manufacturing sector and the information and communications technology sector (ICT). In fact, more than 23% of all PE deals in H1 2017 were in the industrial and manufacturing sector, compared to only a 14% share in 2013. Additionally, ICT companies captured 17% of PE deals in H1, compared to a 10% share in 2013.

"Technology is now consistently a top category for activity in private equity," explained Mike Woollatt, CEO, CVCA. "We are anticipating continued investment growth in the sector as these companies continue to scale."

Private Equity Highlights:

- A staggering \$8.9B was invested across 170 PE deals in Q2, 79% higher than the \$5.0B in the previous quarter and 164% more than in the same quarter last year (\$3.4B)
- Q2 2017 was a peak quarter for PE investment with the most dollars invested since Q3 2015, which saw \$11.4B dispersed
- This brings the total YTD PE investment to \$13.9B over 277 deals, already surpassing the \$13.8B in 2016
- Two \$1B+ mega deals accounted for 50% of dollars invested: the \$4.8B privatization of Toronto-based **DH Corporation** and the \$2.2B acquisition of Montreal-based **Garda World Security Corp.**
- Activity in the \$25-\$100M small-market segment is on pace for a record year—31 YTD deals compared to 48 in 2016 and 56 in 2015

- Similarly, in the \$100-\$500M mid-market segment, there have been 15 YTD deals, already exceeding the 14 in 2016 and on pace to reach the 31 deal-mark in 2015
- One quarter of all PE deals in H1 2017 (42) were disbursed to Montreal-based companies, with 15% (27) going to Calgary-based companies, and Montréal-based companies receiving a 13% share (23)
- More than a fifth (23%) of PE deals this year have been closed in the industrial & manufacturing sector with ICT companies receiving the second largest share (17%). Both these sectors have been receiving a steadily increasing share of PE deal flow since 2013 when industrial & manufacturing captured only a 14% share and ICT a 10% share. Inversely, the oil and gas sector deal flow share has dropped from 19% in 2013 to a mere 9% in H1 2017
- There have been 80 YTD exits in the first half of 2017, already exceeding the number of exits in each of the last four years
 - This includes the \$2.2B exit from Montreal-based Garda World Securities, sold to Rhone Capital by Apax Partners
 - Two IPOs included the \$445M dual listing of the iconic **Canada Goose** on TSX/NYSE and the \$100M TSX-debut of **STEP Energy Services Ltd.**

Digital Resources:

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About the CVCA

The CVCA is the voice of Canada's venture capital and private equity industry. We are focused on improving the private capital ecosystem by broadening industry awareness and providing market research, networking, and professional development opportunities. We also advocate on behalf of the industry to ensure sound public policy that encourages a favourable investment environment. The CVCA works alongside its members, who represent the vast majority of private capital firms in Canada, to improve the industry and drive innovation and growth. Please visit: <http://www.cvca.ca>.

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