

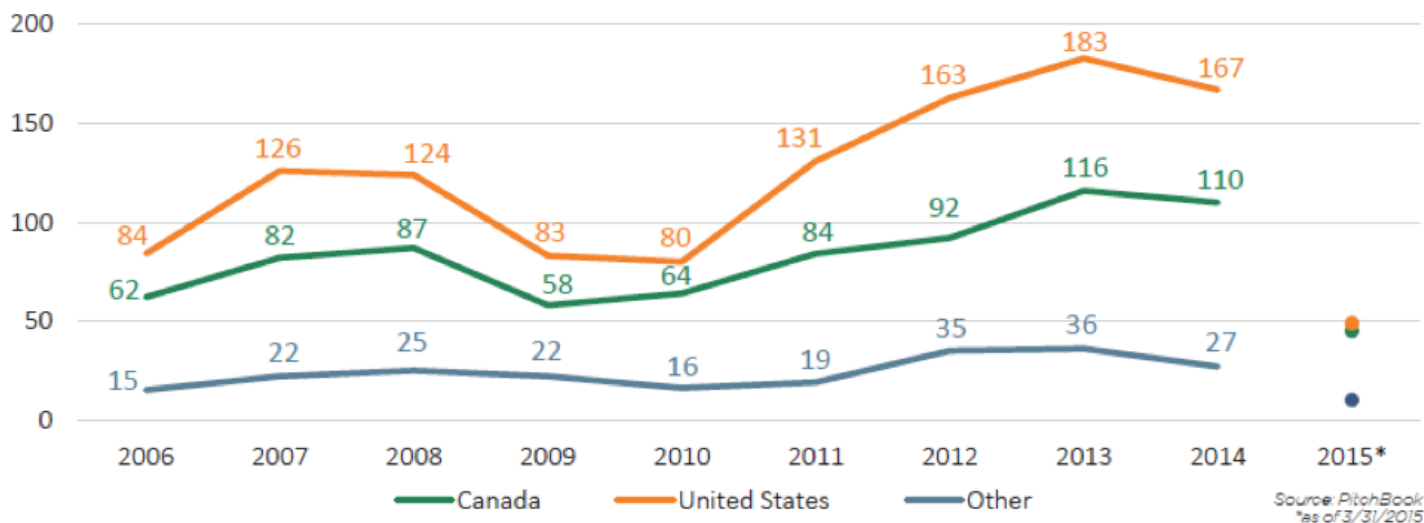
The Pulse of Private Equity – 5/25/2015

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The U.S. is Behind Canada's PE Surge

Last week we talked about the sustained boom of Canadian PE activity, which outpaced U.S. deal flow by a wide margin between 2010 and 2014 (+148% versus +40%). Are Canadian firms finding more opportunities in their backyard? Yes, to some extent, but another aspect behind the surge is that far more U.S. firms are heading north. This chart tracks the number of unique U.S. and Canadian PE investors that have closed at least one deal over the years. In 2010, for example, 80 separate U.S. firms and 64 Canadian firms made at least one PE investment in Canada that year. Over the next three years, the number of U.S. firms that headed north surged by 129% to 183, while the number of unique Canadian investors increased by a smaller 81% (to 116).

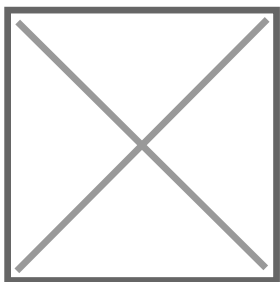
UNIQUE PE INVESTOR COUNT (#) BY REGION AND YEAR



In other words, much of that '10-'14 uptick in Canadian activity was because there were far more American investors scouring the market. Deal competition in the U.S. market is one obvious explanation, but a few others hold water, too. The recent devaluation of the Canadian dollar to the USD has given an added boost to American dry powder, and the supply of deal opportunities still outpaces demand.

One more difference, according to a lawyer at Borden Ladner Gervais, goes back to changes in Canada's Income Tax Act amended five years ago. Its "clearance certificate for tax-exempt gains by non-residents" was eliminated, which helped shorten the deal process for PE firms that had to account for upwards of fifty limited partners on each of their deals. U.S. firms are also getting more comfortable with highly regulated Canadian markets, many of which include quotas for Canadian ownership.

To download PitchBook's 1H 2015 Canada Breakdown Report, please click [here](#).



Contact: Alex Lykken
alex.lykken@pitchbook.com