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The Pulse of Private Equity – 11/16/2015

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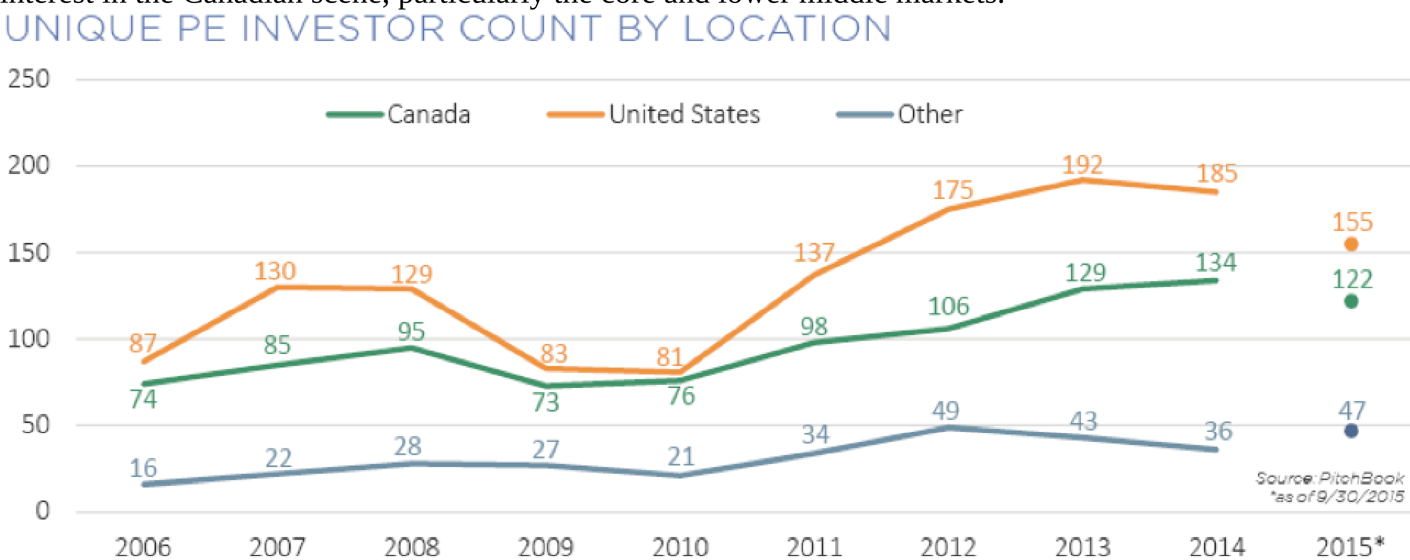
U.S. Interest in Canada Remains Strong

For the fifth straight year in a row, the number of unique U.S. private equity firms active in Canada has exceeded domestic firms by a considerable margin, with a disparity of 33 through the end of September 2015. Although unlikely to surpass the height of 2013, the number of PE investors active this year indicates a sustained interest in the Canadian scene, particularly the core and lower middle markets.



Looking at deal flow broken down by size, the proportion of deals within the C$25 million to C$500 million range is approaching 50% of all Canadian PE activity, indicating how the rising tide of PE interest is largely centering in the center of the Canadian middle market. That said, given the depth and breadth of the Canadian mid-market, over 40% of all 2015 deal flow is still sub-C$25 million in size. Given current market conditions in the U.S., as well as the rising level of PE investment firms targeting mid-market companies, the balance of activity may well tilt a little more toward the center of the middle market, while overall investment levels should remain fairly strong. The Canadian dollar has slid considerably over the past year, while ongoing weak commodity prices haven’t helped, contributing to overall faltering economic growth. The troubled environment could create further opportunities for U.S. PE investors to bring their resources to play, especially in the business products and services sector, which is still accounting for the vast majority of all Canadian PE activity.

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