The Pulse of Private Equity – 5/9/2016

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U.S. PE firms pull back in Canada

Last year saw a decade high of 201 U.S.-headquartered private equity firms invest in Canada, far outstripping the 129 domestic firms that w
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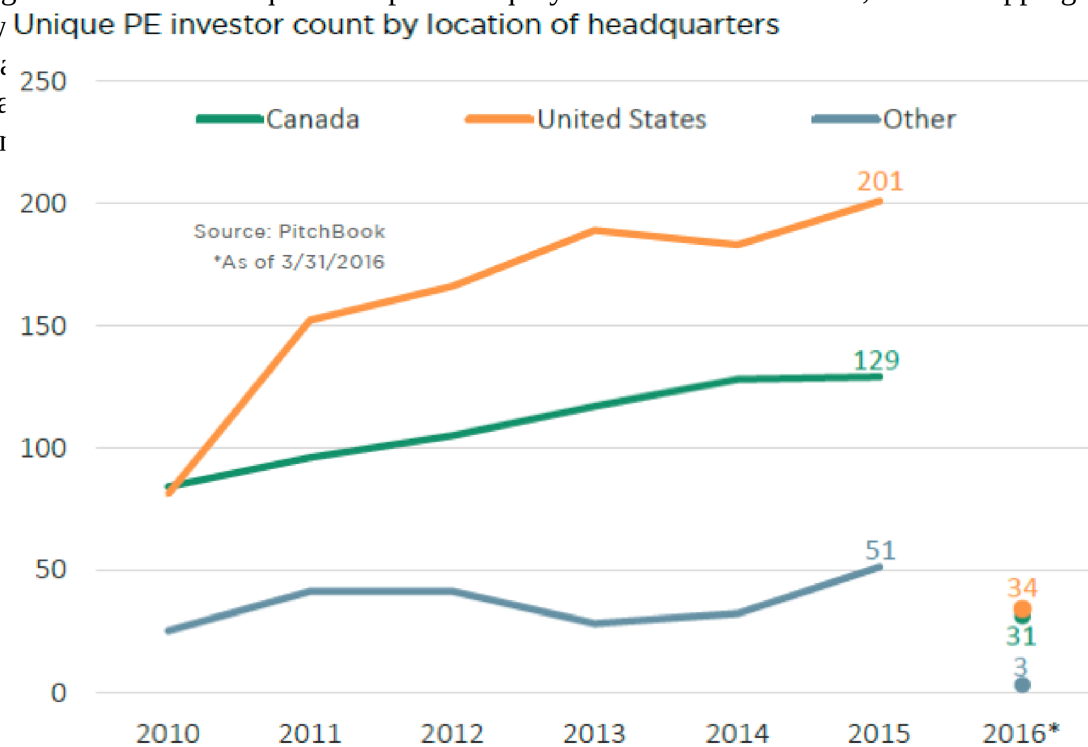
Canada means that investn



taken with a grain of salt.

Yet the diminishing of completed deals as well as the slack in U.S. interest are related. Traditional areas of Canadian PE activity such as energy and manufacturing are seeing slumps without any resurgence thus far since investors have yet to start making plays for distressed assets in the former, while manufacturing may have seen its heyday last year, when it accounted for a significant portion of PE investment. Consequently, many of the best manufacturing targets may have been already bought, leading to a lull in that sector. Smaller Canadian businesses that sell to U.S. consumers remain attractive to PE buyers— as well as strategic acquirers—looking to expand platforms. Domestic IT companies that also capitalize on favorable currency arbitrages and relatively cheaper operational costs should also remain appealing to PE firms. Going forward, the Canadian lower middle market will remain host to the majority of PE activity, with add-ons staying prevalent across both business products & services and consumer sectors.

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