Canada's Buyout & Private Equity Market in 2010

Prepared by Thomson Reuters for Canada's Venture Capital & Private Equity Association

THOMSON REUTERS

Canadian buyout-PE market trends

Buyout and other private equity (PE) market activity in Canada made gains in 2010, as both deal volumes and disbursement levels rose for the first time in three years.

Control-stake buyouts, minority investments, and other PE deals done across Canada totaled 130 last year, up 7% from 2009. Over the same period, disclosed deal values, which totaled $4.9 billion in 2010, increased 21%.*

Moderate year-over-year growth in Canadian activity owed in part to Q4 2010, when comparatively few deals (21) accounted for 40% of total dollars invested ($1.9 billion). A pair of large-cap deals chiefly accounted for this result – CPP Investment Board's investment in 407 International and TPG Capital's acquisition of the property information unit of MDA Corporation.

Q4 2010 deals notwithstanding, buyout-PE trends were last year characterized by investments in Canadian mid-market businesses. Unlike past years, when disclosed activity was often led by mega-transactions of $1 billion-plus, activity in 2010 was led by deals sized below $500 million. In particular, deals of between $100 million and $500 million accounted for 45% of all disbursements.

Both Canadian and foreign funds were more active in the domestic market in 2010. Of the 130 deals done in total, 51% were led by foreign investors, and 49% were led by Canadian investors, with actual numbers in both cases reflecting growth over 2009.

Trends in the US buyout-PE market

Market activity in Canada last year broadly moved in tandem with trends in United States, which also saw buyout-PE deal volumes and values expand for the first time since 2007. Dollars invested south-of-the-border totaled $165 billion in 2010, or better than double the amount reported the year before.

Canadian market trends by sector

Canadian buyout-PE deal-making in 2010 emphasized core traditional sectors. Of the 130 deals done in total, one-quarter was accounted for by resource extraction industries (primarily oil and gas, other energy-related, and mining), 15% by manufacturing, 9% by healthcare and related industries, and 8% by retail trade.

When measured by transactions with disclosed values, the overall picture is changed, as the domestic transportation industry accounted for 26% of the $4.9 billion invested in total, followed by resource extraction (20%), information and media (18%), and healthcare and related industries (9%).

Overview of Canadian Market Activity in 2010

**Of the 130 deals done in Canada in 2010, 67% had disclosed dollar values.*

Canadian market trends by region

Over two-thirds of Canadian buyout-PE deals done last year were located in Ontario (36%) and Québec (33%), with British Columbia assuming a 15% share, and Alberta an 11 share%.

However, because Ontario saw some of the most dollars-intensive transactions of 2010, that province accounted for nearly half (49%)of all disclosed disbursements, followed by British Columbia (24%), Alberta (14%), and Québec (11%).

Canadian investor activity in global markets

Canadian large-cap and mid-cap funds ratcheted up their international market activity substantially last year. Indeed, Canadian investors led or contributed to some of the largest transactions worldwide. For example, CPP Investment Board partnered with TPG Capital in the top buyout deal in the United States in 2010 (IMS Health), while Onex Corporation and CPP Investment Board were responsible for the top buyout deal in the United Kingdom (Tomkins).

International deals involving Canadian funds totaled 51 last year, or triple the number reported in 2009. Disclosed values for this activity, totaling $27.9 billion, increased even more sharply on a year-over-year basis.**

Canadian-based buyout-PE exit activity

With the somewhat greater economic stability of 2010, exit markets proved more open to buyout-PE funds seeking realizations on their investments. Activity involving Canadian-based portfolio businesses rose accordingly, with exit events totaling 72 last year, up 106% from 2009.

As in past years, exit trends were led by acquisitions by strategic investors, with these totaling 34, up 89% from the year before. Strategic sales consequently accounted for close to half (47%) of all exit events last year, followed by buybacks (30%) and financial sales (10%).

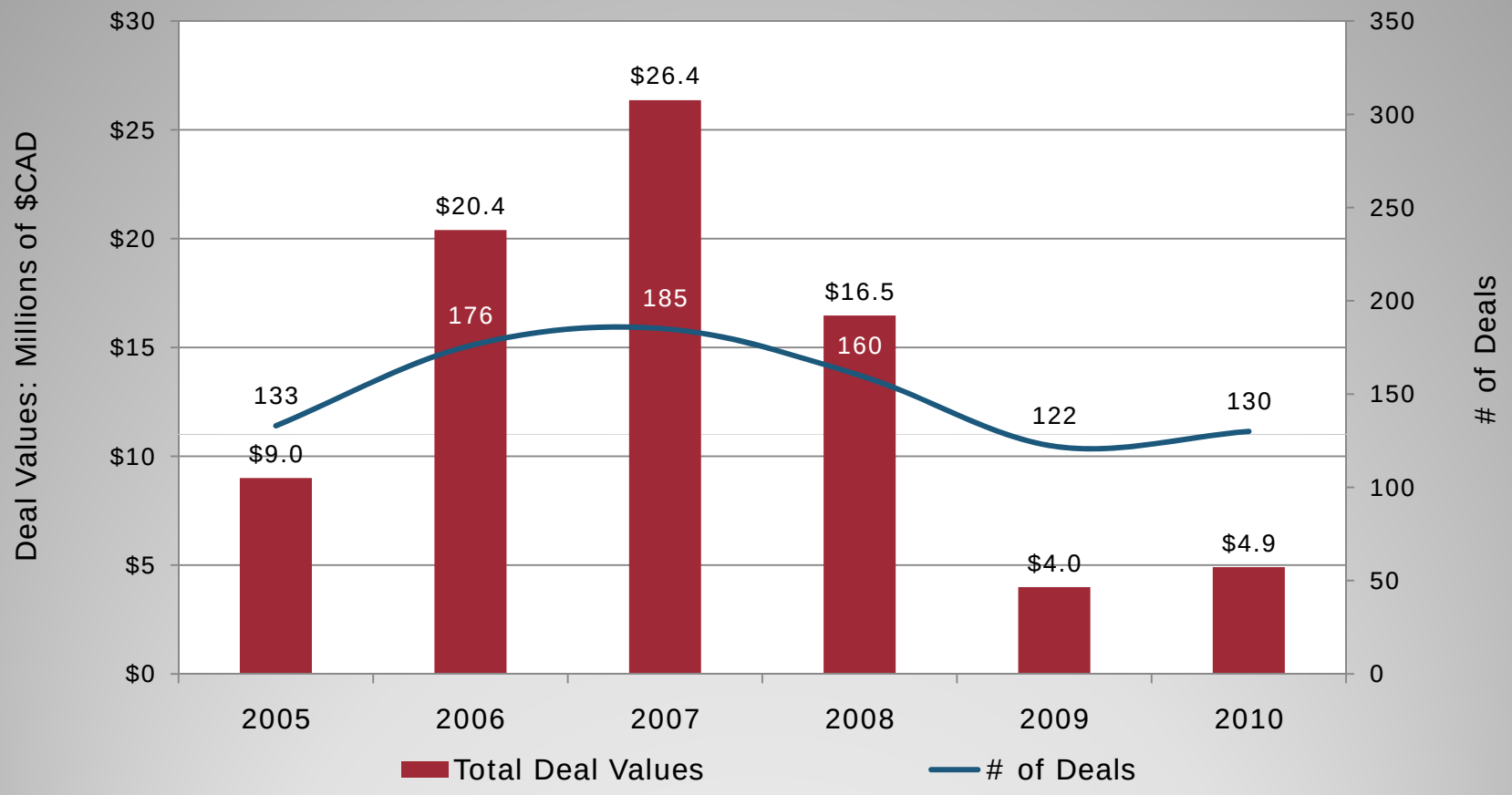
Trends in Canadian buyout-PE fund-raising

New capital commitments to Canadian buyout, mezzanine and other PE funds totaled $1.4 billion in 2010, reflecting the much slower pace of market activity since 2008. However, these data perhaps mask developments in the latter months of the year, suggested by the final closes of Birch Hill Equity Partners IV LP and Clairvest Equity Partners IV LP, both of which were well above targeted levels.

***Data reflect the total value of disclosed global deals in which Canadian investors have participated, and not the specific Canadian financial contribution to these deals.*

Overview of Canadian Market Activity in 2010

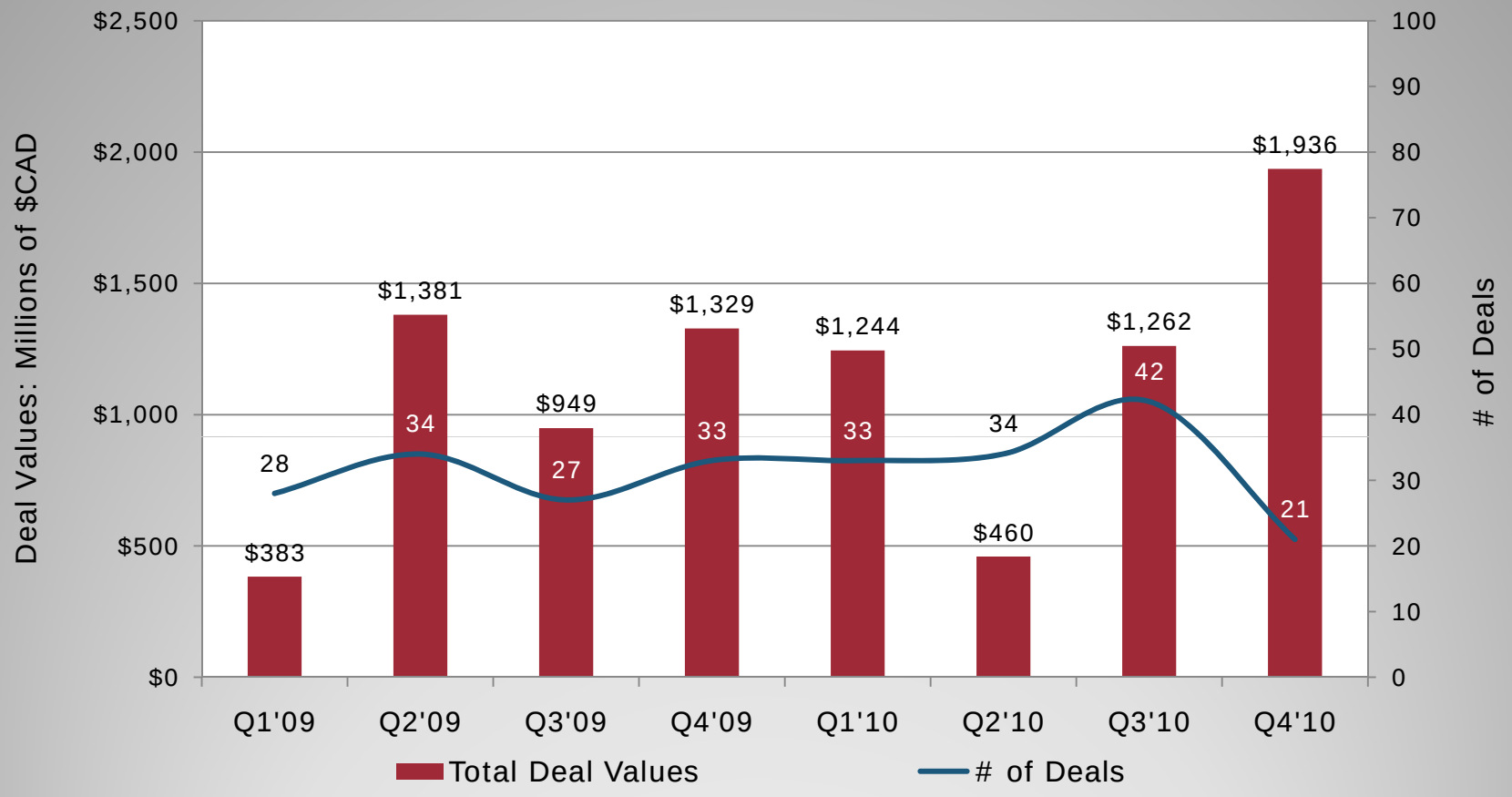
1. Buyout & Private Equity Market Activity in Canada in 2010



NB: For a discussion of key data methodology issues, please see explanatory notes on pg. 27-28.

Canadian Deal-Making Up For First Time Since '07

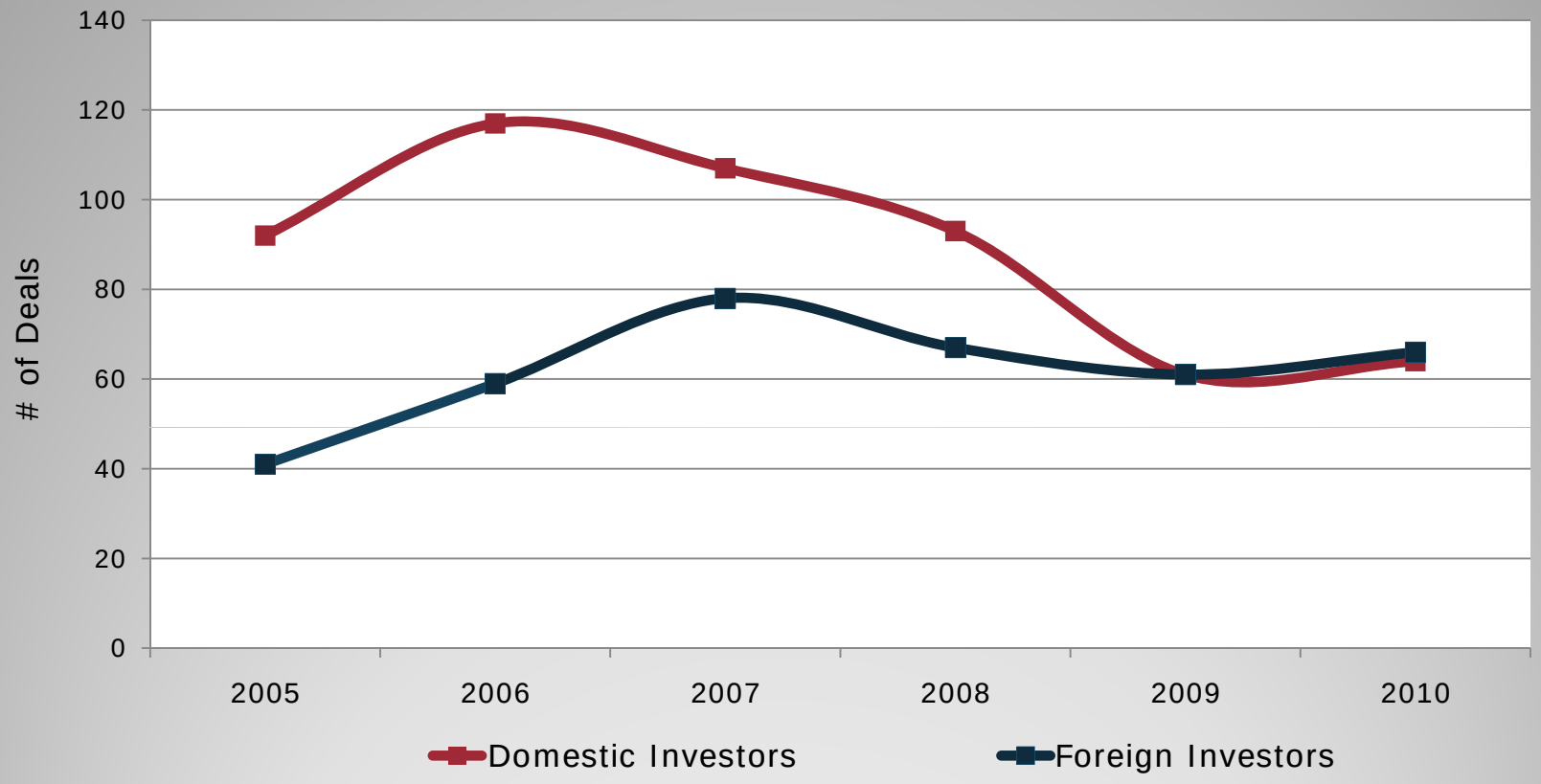
BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) IN CANADA, 2005 - 2010



NB: For a discussion of key data methodology issues, please see explanatory notes on pg. 27-28.

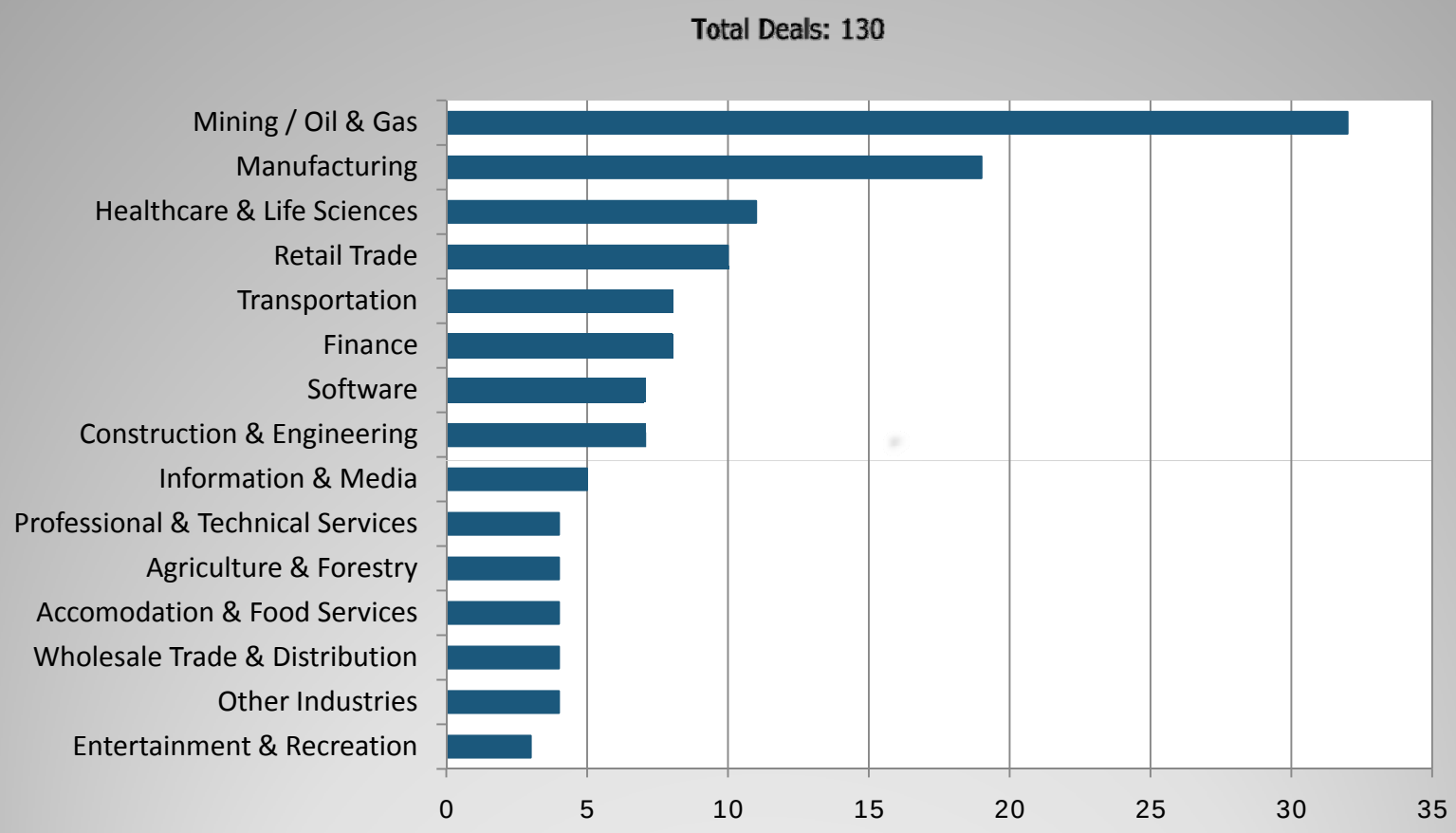
In Q4 2010, Fewer Deals Take Substantial Dollars

BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) IN CANADA, Q1 2009 – Q4 2010



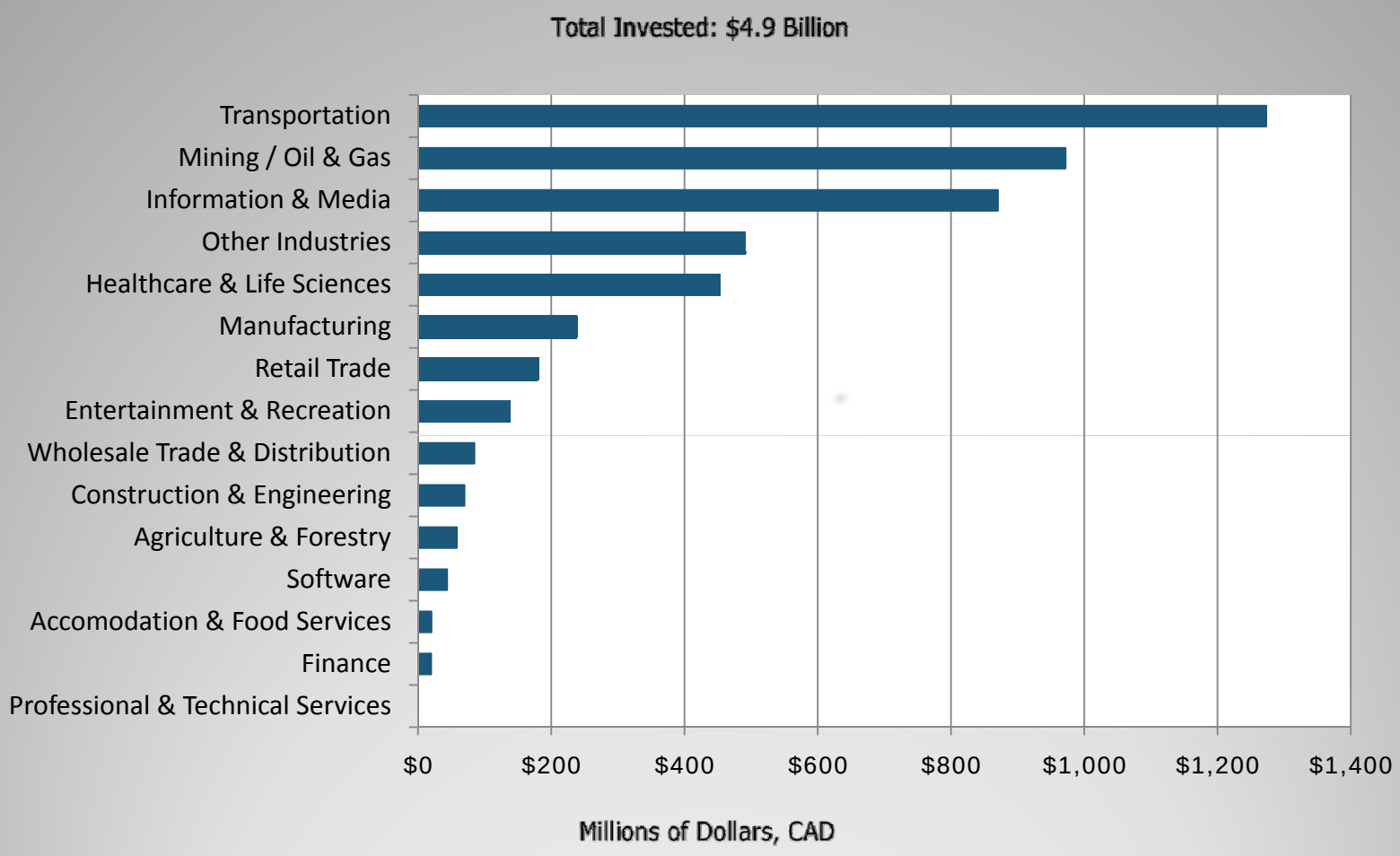
Domestic & Foreign Funds More Active in 2010

CANADIAN BUYOUT-PE DEAL ACTIVITY BY DOMESTIC & FOREIGN INVESTORS, 2005 - 2010



Resources, Manufacturing Lead Deal-Making

CANADIAN BUYOUT-PE DEAL VOLUME BY SECTOR, 2010



Transport Industry Captures Largest Dollar Flows

CANADIAN BUYOUT-PE DISBURSEMENTS (DISCLOSED) BY SECTOR, 2010

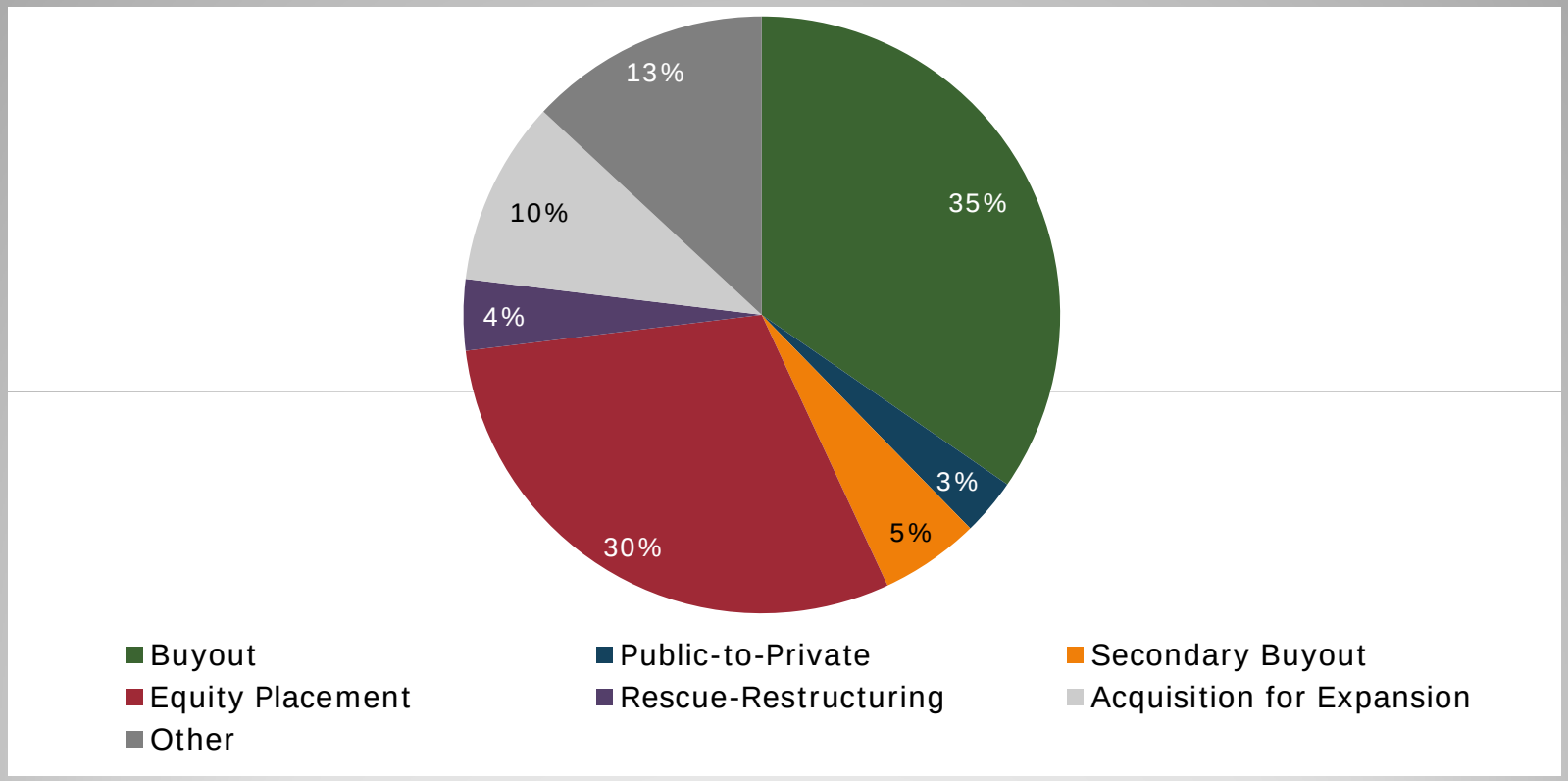
Deal Range	# of Deals Done	Dollars Invested (Disclosed)
> $1 Billion	0	$0 (0%)
$500 Million - $1 Billion	2	$1,744 Million (36%)
$100 Million - $500 Million	12	$2,227 Million (45%)
$25 Million - $100 Million	12	$540 Million (11%)
< $25 Million	61	$390 Million (8%)
Deal Values Undisclosed	43	$0 (0%)

Total Deals With Disclosed Values: 87 (of 130)
Total Invested: $4.9 Billion

NB: For a discussion of domestic market segments, please see Explanatory Notes #4 & 5 on pg. 27.

Upper Mid-Market Deals Account for Major Dollars Share

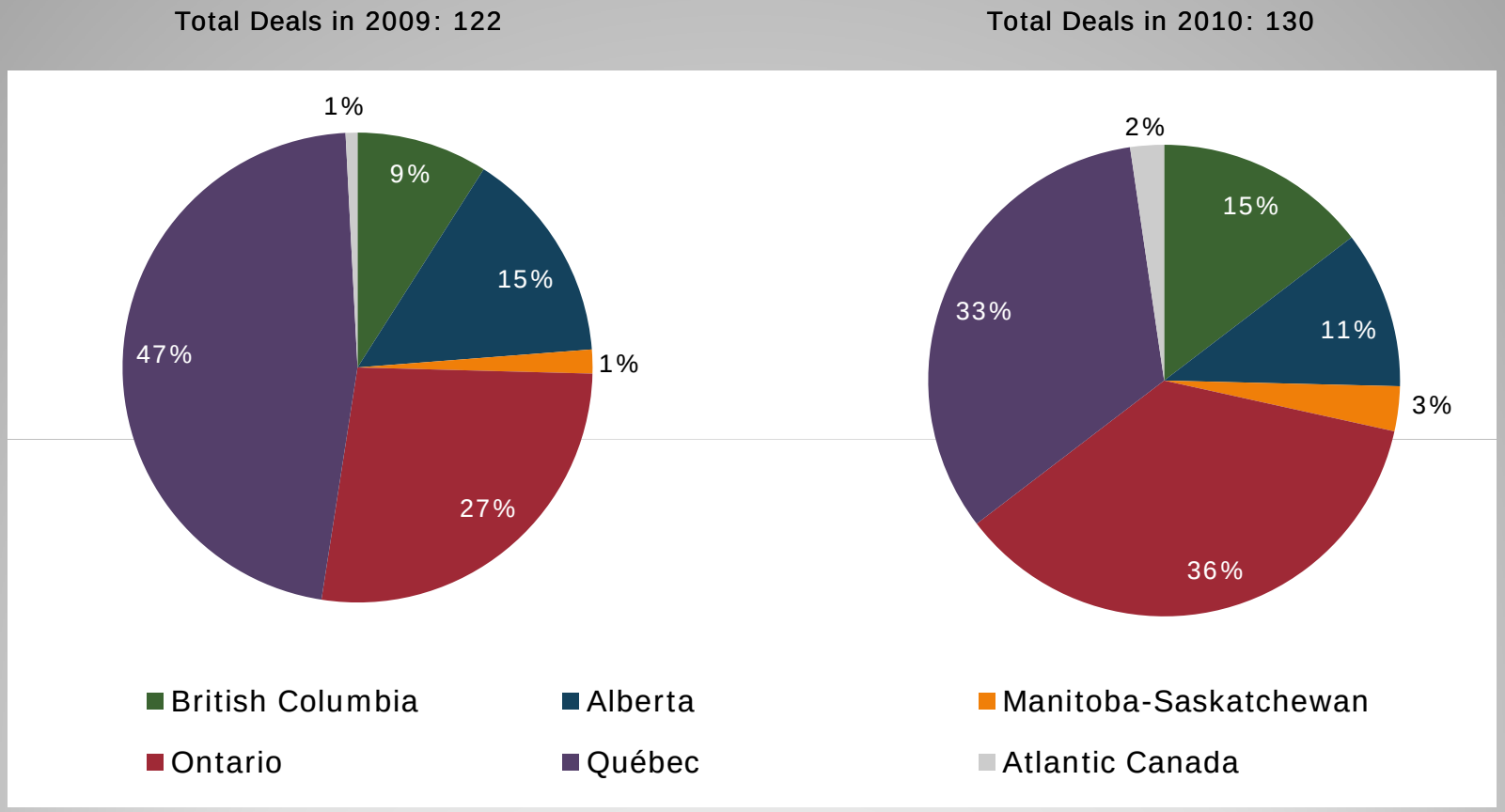
CANADIAN BUYOUT-PE DEALS BY MARKET SEGMENT, 2010



NB: For definitions of transaction types, please see Explanatory Note #8 on pg. 28.

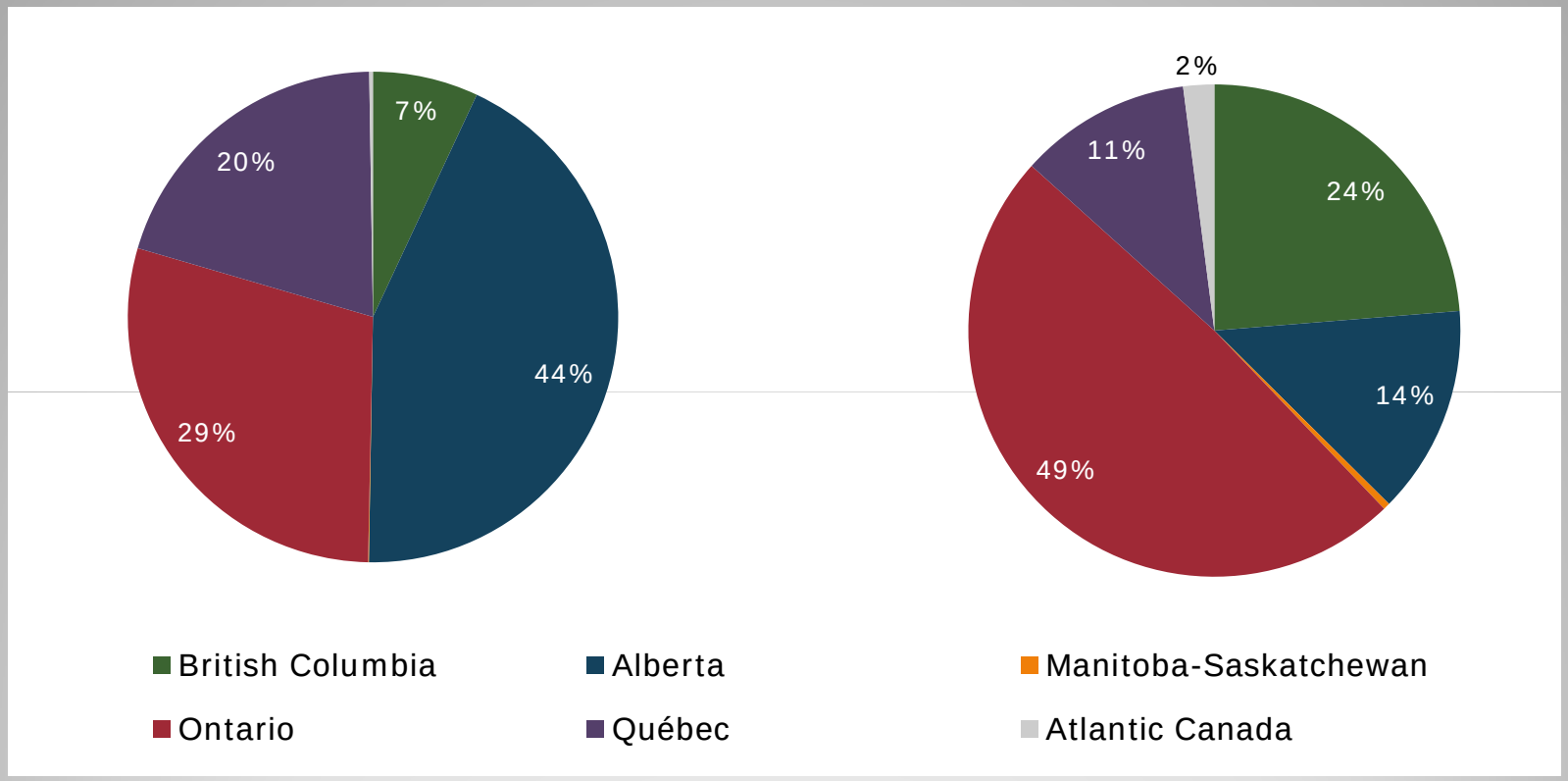
Buyouts & Minority-Stake Deals Dominate Activity

CANADIAN BUYOUT-PE DEAL VOLUME BY TRANSACTION TYPE, 2010



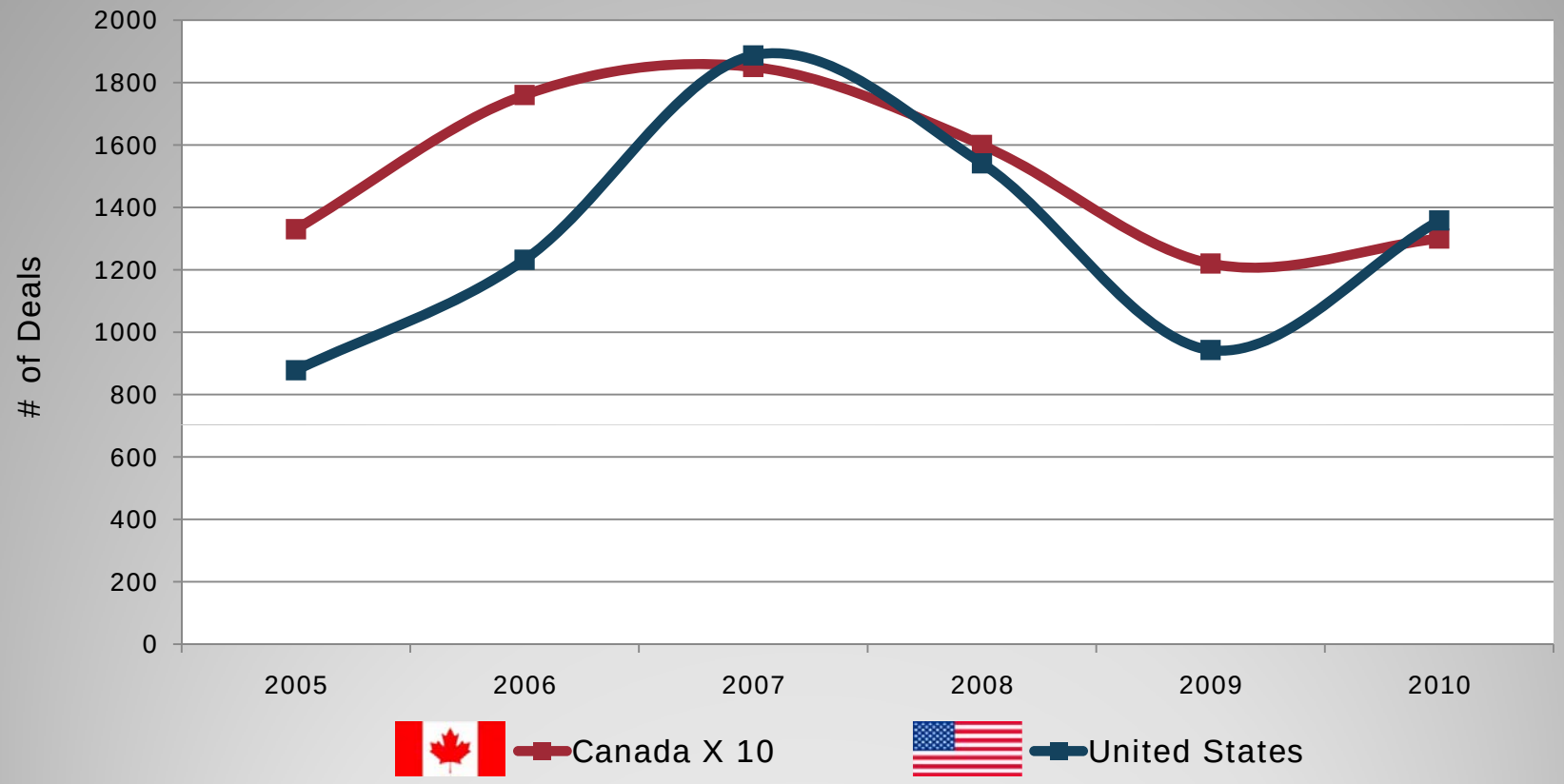
Majority of Deals Done in Ontario, Québec

CANADIAN BUYOUT-PE DEAL ACTIVITY BY REGION, 2010



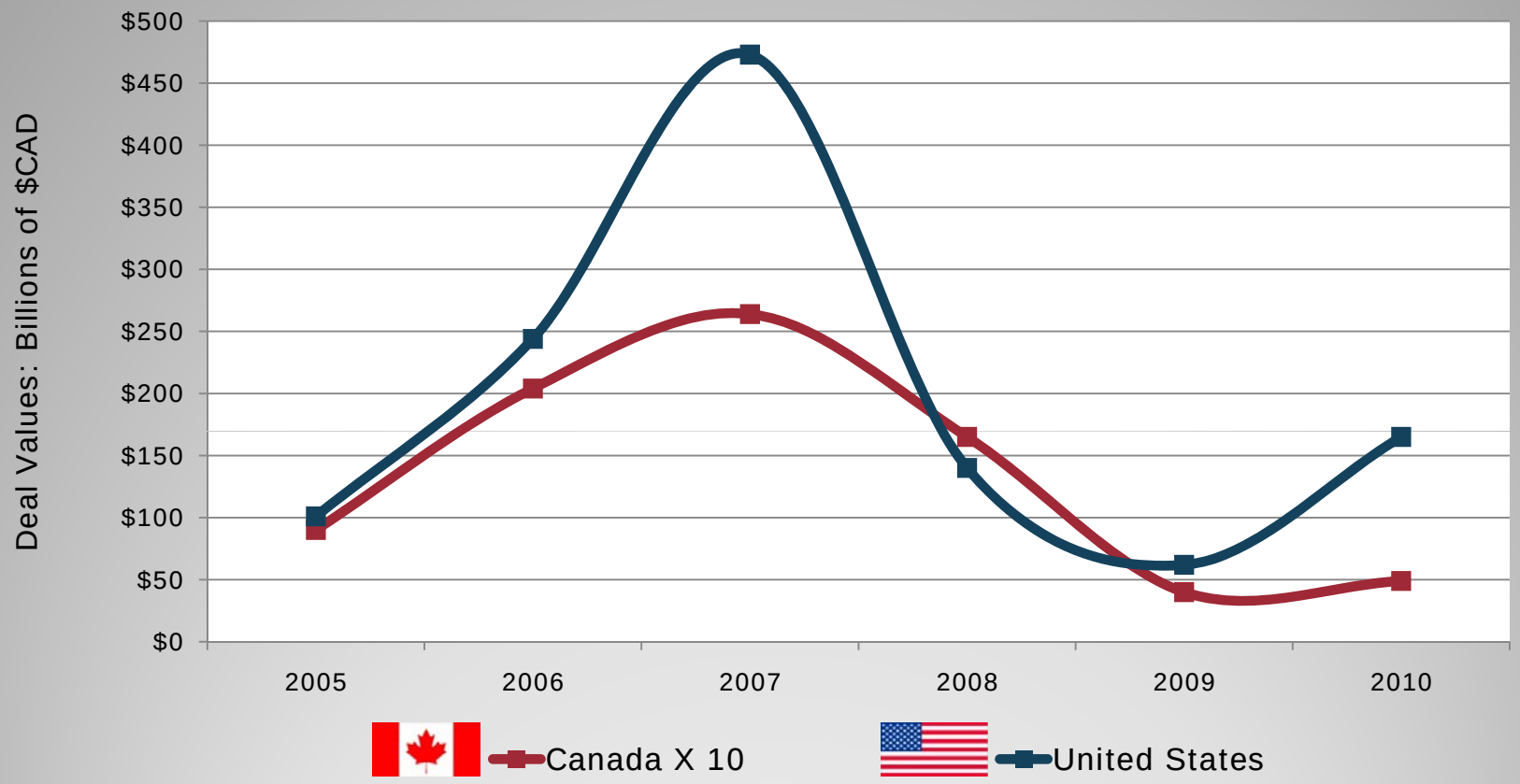
Largest Deals Done in Ontario, British Columbia

CANADIAN BUYOUT-PE DISBURSEMENTS BY REGION, 2010



Deal-Making Up Across North America in 2010

BUYOUT-PE DEALS DONE IN CANADA & USA, 2005 - 2010



Dollar Flows Also Exhibit Growth Across North America

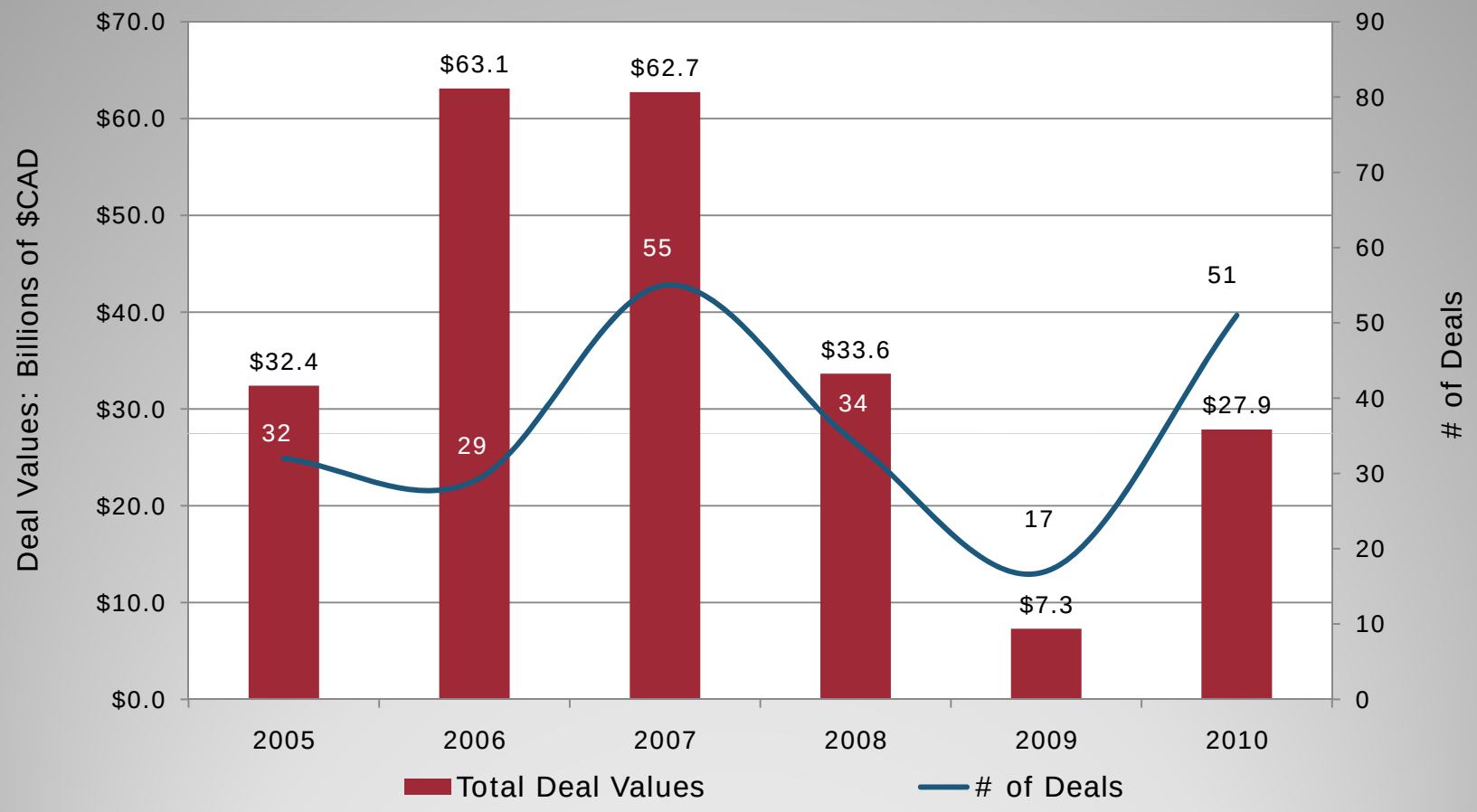
BUYOUT-PE DISBURSEMENTS (DISCLOSED) IN CANADA & UNITED STATES, 2005 - 2010

Company	Prov.	Value	Investors
407 International, Inc.	ON	$894	CPPIB
MDA Corp., Property Information Business	BC	$850	TPG Capital
Progress Energy Resources Corp.	AB	$350	CPPIB
Livingston International, Inc.	ON	$324	Sterling Partners, CPPIB
Authentic Brands Group, LLC	ON	$250	Knight's Bridge Capital Partners, Leonard Green & Partners
Laricina Energy, Ltd.	AB	$250	CPPIB
Logibec Groupe Informatique, Ltd.	QC	$237	OMERS Private Equity, SGF du Québec
TLC Vision Corp.	ON	$143	Charlesbank Capital Partners

Top Canadian Buyout-PE Deals (Disclosed) in 2010

CAD$ MILLIONS

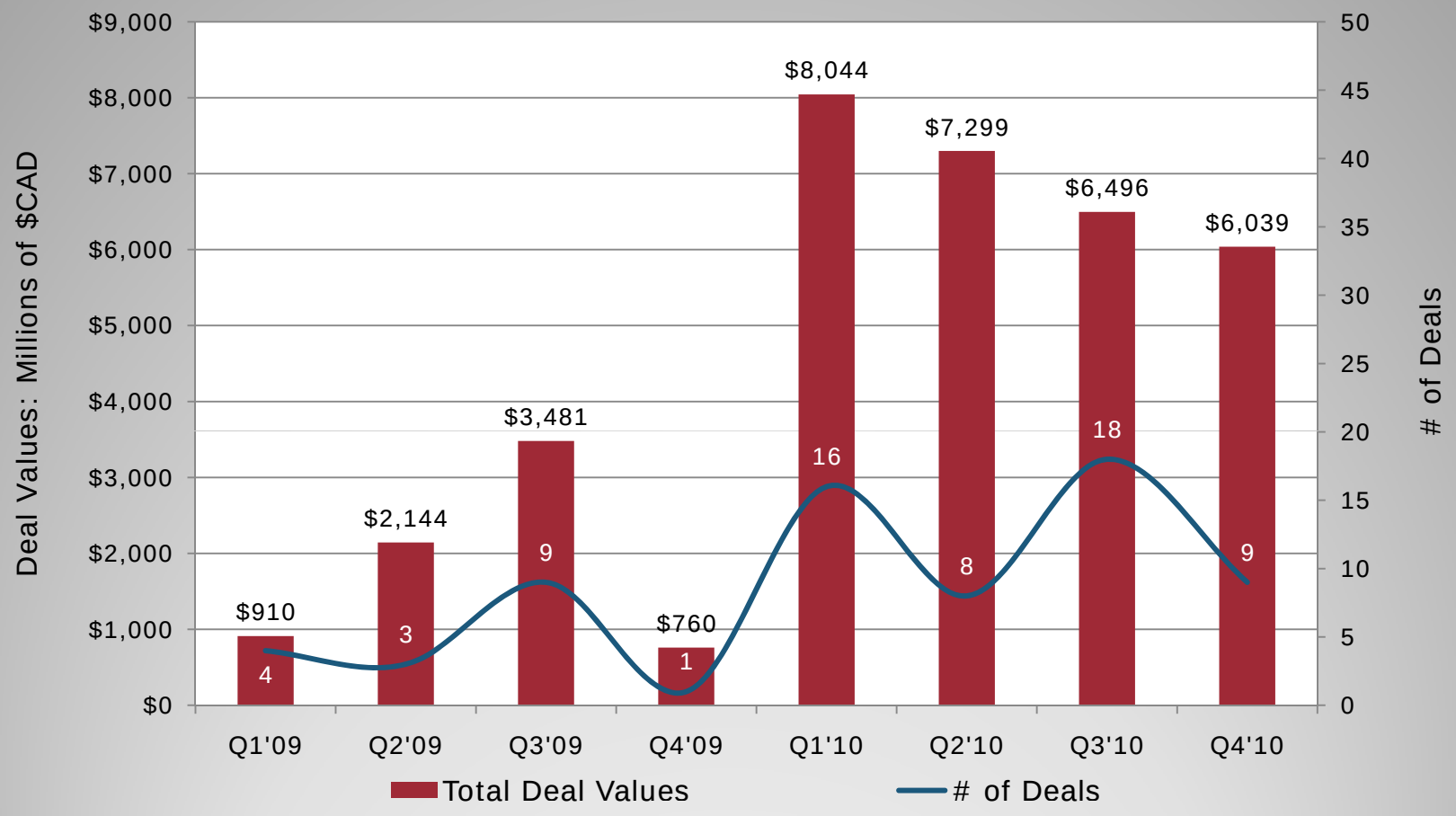
2. Canadian Fund Activity in Global Buyout & Private Equity Markets in 2010



NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 28.

Canadian Deal-Making Abroad Rises Sharply

GLOBAL BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) INVOLVING CANADIAN FUNDS, 2005 - 2010

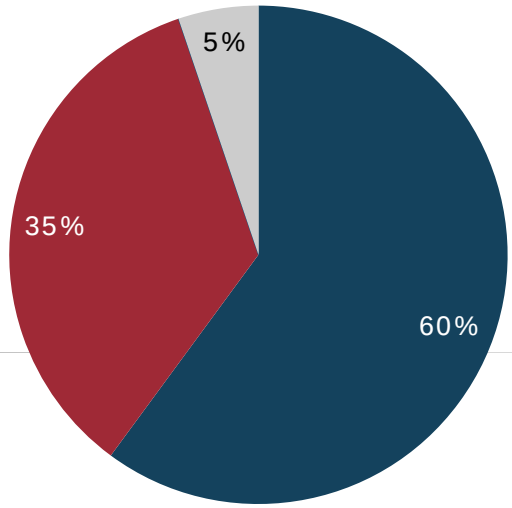


NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 28.

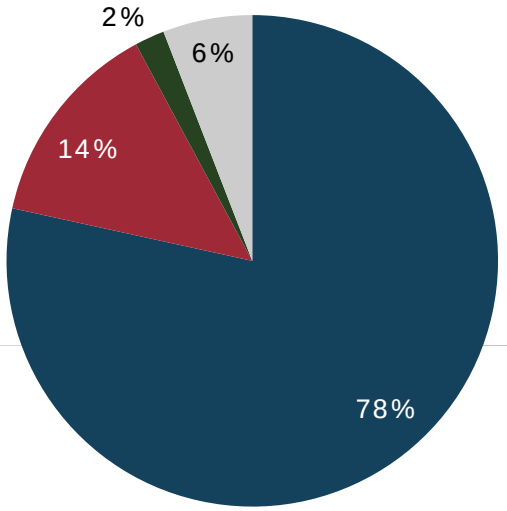
Deal Activity in Q4 2010 Continues Year-Long Trend

GLOBAL BUYOUT-PE DEALS & DISBURSEMENTS (DISCLOSED) INVOLVING CANADIAN FUNDS, Q1 2009 – Q4 2010

Total Invested: $27.9 Billion



Total Deals: 51



United States Europe Asia Other Regions

NB: For a discussion of Canadian activity in global deals, please see Explanatory Note #9 on pg. 28.

Canadian Investor Activity Focused on US, Europe

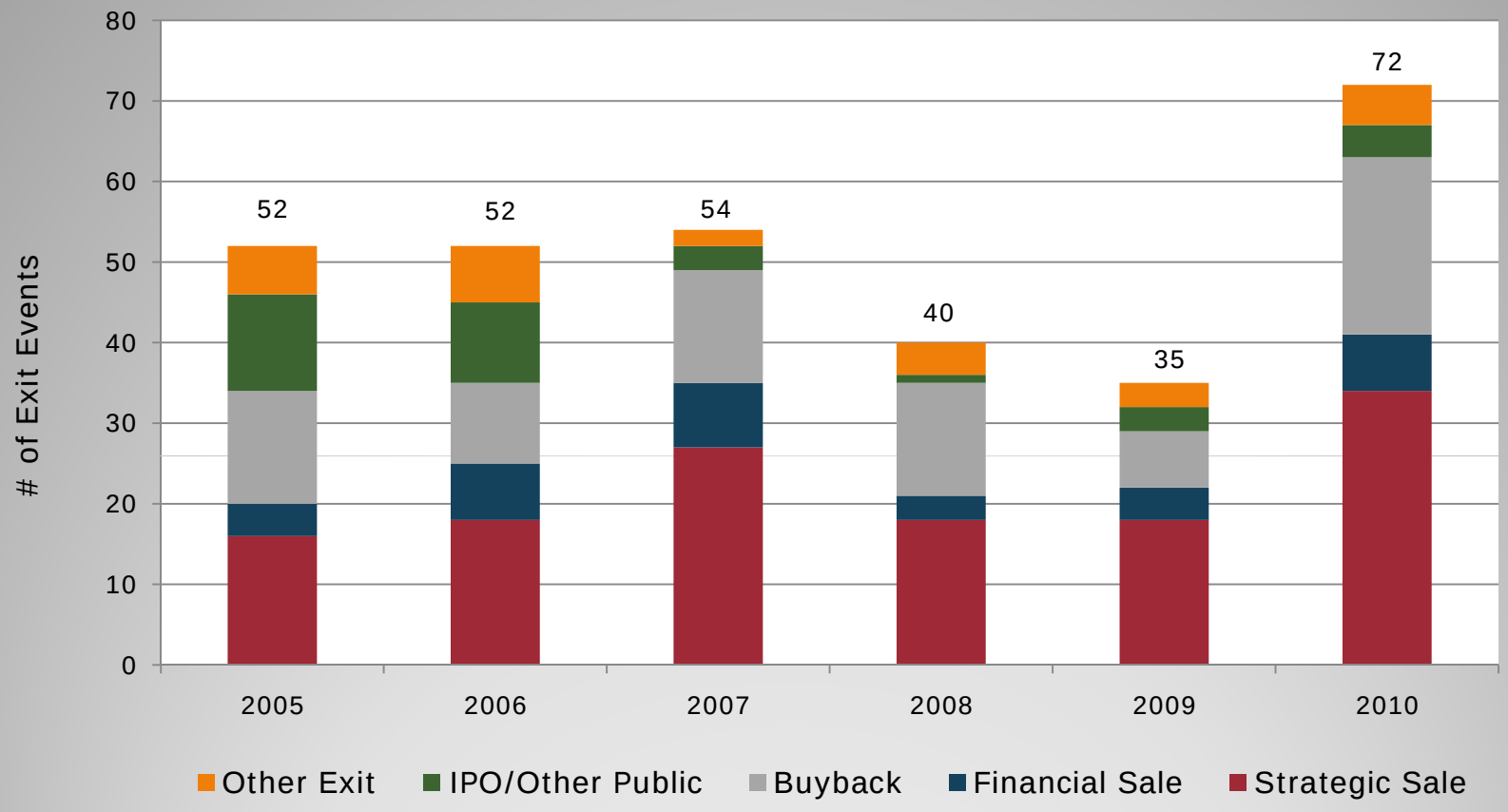
GLOBAL BUYOUT-PE DEAL ACTIVITY INVOLVING CANADIAN FUNDS BY REGION, 2010

Company	Nation	Value	Investors
General Growth Properties, Inc.	USA	$6,605	Brookfield Asset Management, Other Investors
IMS Health, Inc.	USA	$5,468	TPG Capital, CPPIB
Tomkins, PLC	UK	$5,146	Onex Corp., CPPIB
HS1, Ltd.	UK	$3,398	Borealis Infrastructure, OTPP
Simmons Bedding Co.	USA	$792	Ares Management, Teachers' Private Capital
SonicWALL, Inc.	USA	$764	Thomas Bravo LLC, Teachers' Private Capital
INC Research, Inc.	USA	$605	Avista Capital Partners, Teachers' Private Capital
Camelot Group, PLC	UK	$576	OTPP

Canadian Funds Help Drive Major International Deals

GLOBAL BUYOUT-PE DEALS INVOLVING CANADIAN FUNDS, CAD$ MILLIONS

3. Canadian-Based Buyout & Private Equity-Backed Exit Activity in 2010



NB: For clarification of Canadian exit activity data, please see Explanatory Note #10 on pg. 28.

Strategic Sales Key to Jump in Canadian-Based Exits

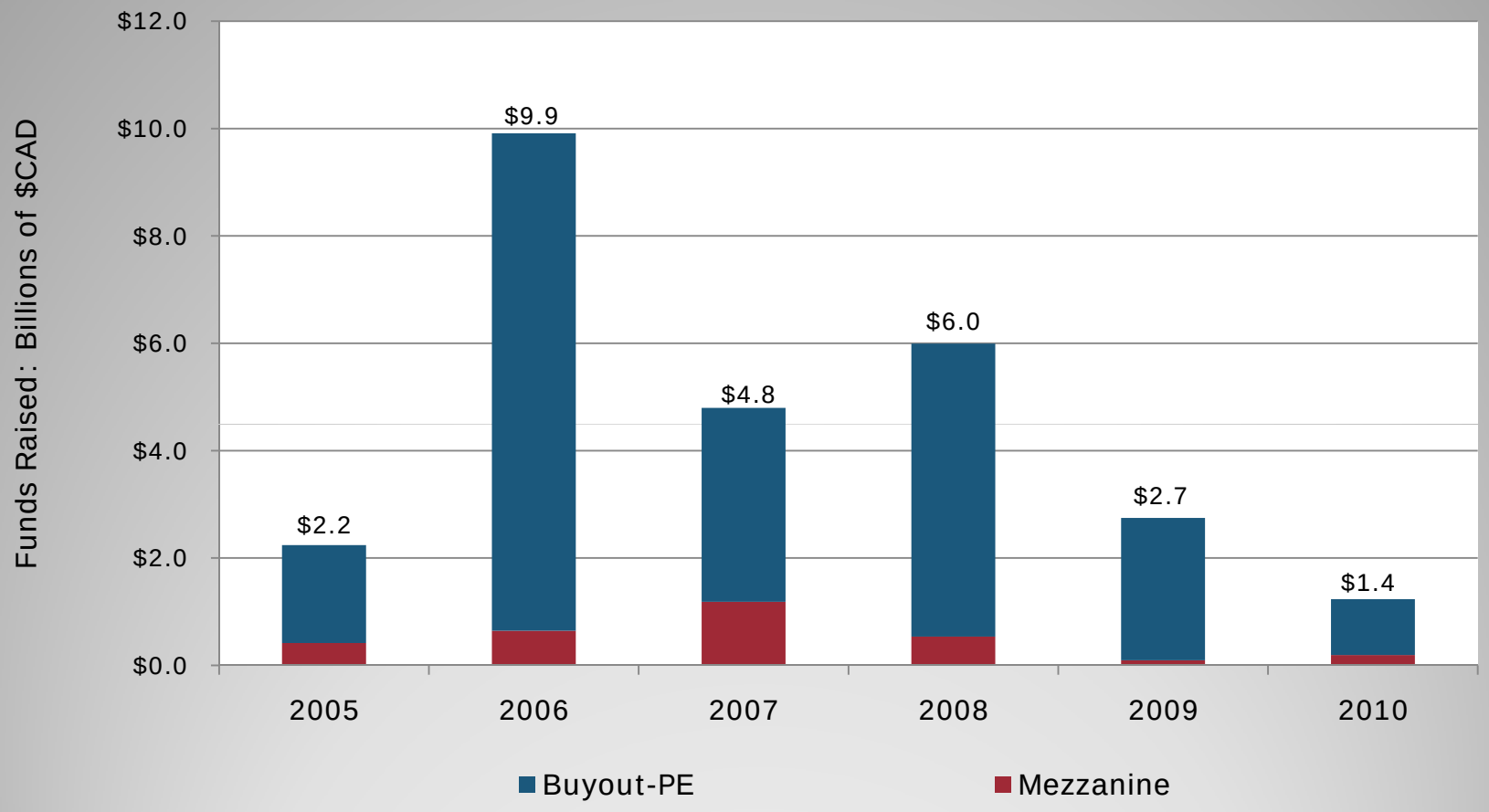
BUYOUT-PE-BACKED EXIT INVOLVING CANADIAN BUSINESSES, BY TYPE, 2005-2010

Company	Prov.	Value	Investors
CTVglobemedia, Inc.	ON	$3,200	Teachers' Private Capital, Torstar Corp, Woodbridge Co.
Shelter Bay Energy, Inc.	AB	$1,100	Riverstone Holdings LLC, Other Investors
Van Houtte, Inc.	QC	$915	Littlejohn & Co. LLC, Fonds de Solidarité (FTQ)
CanEra Resources, Inc.	AB	$503	Riverstone Holdings LLC, Other Investors
Atria Networks, Inc.	ON	$425	Birch Hill Equity Partners
GCAN Insurance, Co.	ON	$420	Teachers' Private Capital
Concert Industries Corp.	QC	$246	Brookfield Asset Management
Canpages, Inc.	BC	$225	HM Capital Partners

Top Canadian Exits Via Strategic Sales (Disclosed) in 2010

CDN$ MILLIONS

4. Canadian Buyout & Private Equity Fund-Raising Activity in 2010



Pace of Private Equity Fund-Raising Slows in 2010

NEW COMMITMENTS TO CANADIAN BUYOUT, MEZZANINE & OTHER PE FUNDS, 2005 – 2010

1) Data collected and analyzed by Thomson Reuters for this statistical report were drawn from a variety of sources. These include proprietary sources among the members of Canada's Venture Capital and Private Equity Association (CVCA), Réseau du capital d'investissement du Québec, and other Canadian and non-resident fund managers, responding to Thomson Reuters' annual and quarterly surveys.

2) The data methodology for this report was developed by Thomson Reuters and is comparable to other methodologies used to track trends in comparable national and regional buyout and private equity (PE)markets. CVCA and Réseau members have provided invaluable advice to Thomson Reuters concerning characteristics and issues particular to the Canadian fund management industry and market.

3) All dollar values in this report are represented in Canadian currency.

4) Key statistical indicators (e.g., total numbers of deals, total disbursements, per quarter or per annum) are influenced by the fact that a substantial fraction of buyout and other PE deals are not fully disclosed. For instance, "dollars invested" in a given period pertain only to those deals with values that have been published or confidentially disclosed to Thomson Reuters. Due to strict confidentiality covenants with fund managers, Thomson Reuters has been increasingly able to expand the quantity and quality of data for reporting purposes.

5) For the purposes of this report, Canadian deals with disclosed values are discussed according to their organization in broad segments, including large-cap-deals (above $500 million), and various levels of mid-market activity (below $500 million), etc.

6) Statistical data reflect all essential forms of buyout-PE deal-making, including control-stake acquisitions of businesses, minority equity investments, restructuring and special-situations transactions, and mezzanine and other quasi-equity investments. The data also reflect the activity of PE funds focused on businesses in specific sectors (e.g., infrastructure, mining, oil and gas, etc.).

7) The data highlight the continuous domestic deal activity of key Canadian fund types, including private-independent funds, corporate and institutional captive funds, and retail funds. The activity of foreign investors in Canada is also captured.

Explanatory Notes

8) Definitions of transaction types shown in chart on page 11:

- •Buyout: Control-stake (or majority) acquisitions of businesses.
- •Public-to-private: Control-stake acquisitions in which businesses move from public to private ownership.
- •Secondary buyout: Control-stake acquisitions in which ownership is transferred from one investor to another.
- •Equity placement: A diverse range of growth-equity and other non-controlling (or minority) investments in businesses.
- •Rescue-restructuring: Control-stake acquisitions and other activity involving businesses in financial distress or undergoing major reorganization.
- •Acquisition for expansion: Merger and acquisition events driven by buyout-PE-backed businesses in expansion mode.
- •Other: Various other PE deal types and deals for which definitional information is currently insufficient.

9) The data also highlight the deal-making of Canadian funds in the United States, Europe, Asia, and elsewhere around the world. Statistics in this report reflect instances in which Canadian funds have acted as sponsors, co-sponsors or co-investors in deals in non-resident businesses, or have otherwise engaged in direct investments in these. "Dollars invested" in a given period pertain to the total value of disclosed deals in which Canadian funds have participated (in the case of large-cap deals, typically with foreign partners) and not the specific Canadian financial contributions to these deals.

10) Statistical data pertaining to buyout-PE-backed exit events capture activity involving businesses based in Canada. They do not include exits from non-resident businesses in Canadian fund portfolios.

11) Over time, statistics are subject to continuous change as Thomson Reuters receives new data and as investors and their portfolio companies elect to disclose further details about transactions. In addition, key indicators might change appreciably in the short term due to the circumstance of pending deals. Thomson Reuters locates pending deals in the periods in which they are announced, with related data adjusted at the time of deal closings.

Explanatory Notes

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