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22

CANADIAN
PRIVATE EQUITY
MARKET OVERVIEW

H1 2022

CVCA

CVCA
intelligence

ABOUT CVCA

OUR VISION

A thriving Canadian economy driven by private capital

OUR MISSION

CVCA's mission is to help our members fuel the economy of the future by growing the businesses of today. We do this by supporting and connecting a vibrant private capital industry with advocacy, research, and education.

CVCA is also the nation's ultimate resource for data on Canadian private capital investments.

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MESSAGE FROM THE CEO

The private markets are normalizing to pre-pandemic levels. After an outlier 2021, investors are closely monitoring macroeconomic volatility and public market trends which are impacting the private capital investment environment. These trends are not exclusive to Canada. We are seeing similar trendlines across global markets.

While the landscape is more challenging as we head into the second half of 2022, private equity investors continue to actively invest and largely invest in Canada's SMEs (87% of investments with disclosed values were under CAD \$25M so far in 2022). Based on historical performance during economic distress, private equity has proven it has the experience, operational expertise, and capital to stay resilient which is critical to help Canadian companies weather unpredictability.

For readers new to our reports, CVCA Intelligence is the most comprehensive private capital data for the Canadian market. As the voice of Canadian private capital, the CVCA began collecting industry data in 2013. Our quarterly reporting summarizes the results of quarterly surveys and presents the data in a historical context.

Access to high-quality data, analysis, and tools is central to our members and the industry's ability to operate in the dynamic private capital environment. We invite interested private capital organizations to join us in our efforts. If you would like to have your firm included in future reports, [please complete the form linked here](#).



KIM FURLONG
CEO
CANADIAN VENTURE CAPITAL &
PRIVATE EQUITY ASSOCIATION

H1 2022 HIGHLIGHTS

- ▶ **The first half of 2022 saw 420 deals totalling \$4.96B in Canadian PE, including \$3.3B over 202 deals in Q2.**

PE activity slows relative to the abnormal record year in 2021, but remains on pace to return to pre-pandemic levels in 2019-2020

- ▶ **The US PE market shows a similar trend in H1 (\$529B over 4,337 deals), as macroeconomic uncertainties including rising inflation, higher interest rates and supply chain disruptions create a challenging environment for business growth**

With the prospect of a potential recession, investors closely monitor public market trends impacting in the private capital market as we enter the second half of the year

- ▶ **Q2 saw the 4th highest quarterly deal count on record as Canadian PE continues to provide much-needed capital to SMEs - the engine of job creation in Canada**

197 transactions or 87% of all disclosed PE deals in H1 were under \$25M

- ▶ **The drop in overall deal value is most felt in larger deals, due to the absence of deals valued above \$1B in the first half of 2022, as well as declines in deals ranged \$100-500M, and \$25M-100M**

There were no IPOs reported in the first half of 2022

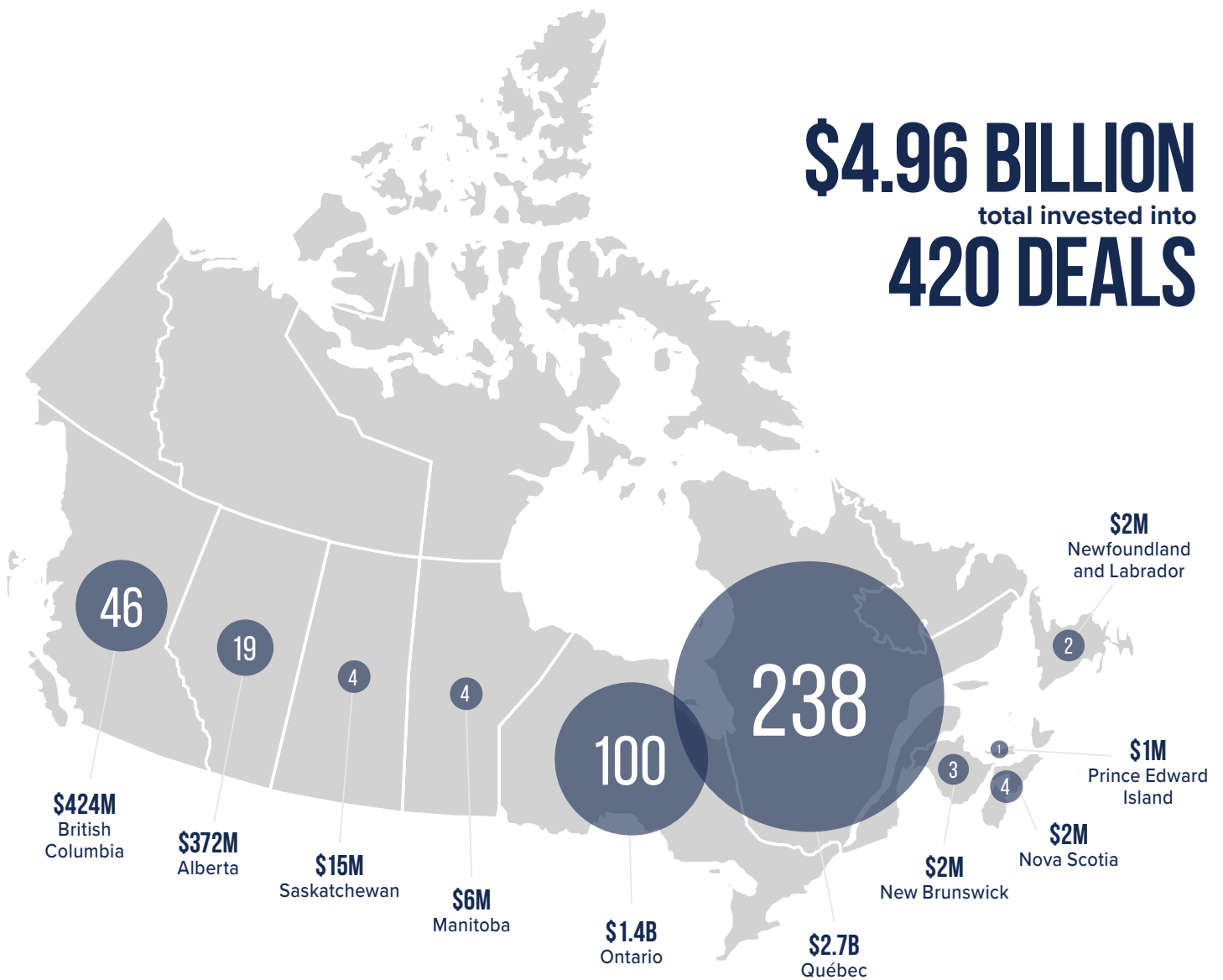
- ▶ **63 M&A exits and 10 secondary buyouts totalling \$2.53B in the first half of 2022, doubling 2020's annual exit count but with only 15% of total value**

Drops in liquidity markets, valuation adjustments, global uncertainty and a tighter policy environment all contributed to the lower value in portfolio exits

- ▶ **The largest PE deals in the quarter include growth investments made in Alberta-based environmental company Vault 44.01 for \$188M and Ontario-based software company Ataccama's for \$150M**
- ▶ **Exits through secondary buyout remains high in H1, with the second highest activity on record (\$2.2B over 10 deals), as PE acquire existing companies and consolidate fragmented sectors**

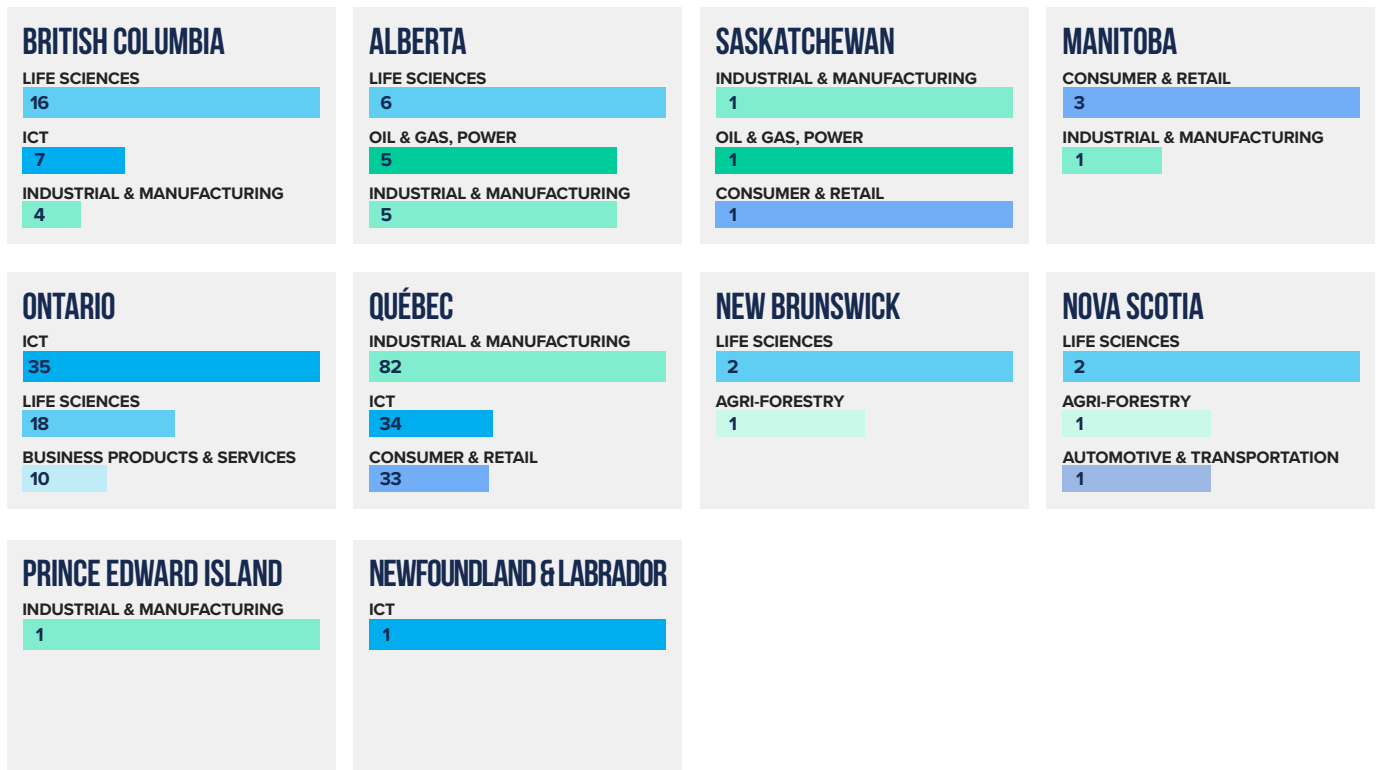
H1 2022 PRIVATE EQUITY HEAT MAP

ALL PE DEALS



- The first half of 2022 saw 420 deals totalling \$4.96B in Canadian PE, including \$3.3B over 202 deals in Q2 '22 as PE activity. Although Q2 saw a significant boost in dollars invested quarter-over-quarter from Q1 (93% increase), the quarter still lags behind in dollars invested in comparison to an average quarter from the last 5 years (\$5.2B).
- Quebec accounted for 57% of the total deal flow and 54% of total dollars invested with 2.7B invested over 238 deals, including \$957M and 64 deals in Montreal. For Q2' 22 the top deal in the region was Polycor with \$98M invested backed by Investissement Québec.
- Ontario had the second highest amount of dollars invested by province with \$1.4B invested across 100 deals. This accounted for 24% of the total deal flow and 29% of dollars invested. For Q2' 22 the top deal in the region was Ataccama which is a Toronto based software development company with \$150M invested backed by Bain Capital, LLC.
- BC saw significant investment as well with \$424M invested across 46 deals in the first half of the year. This investment value has already surpassed what it was in 2020 for the full year.

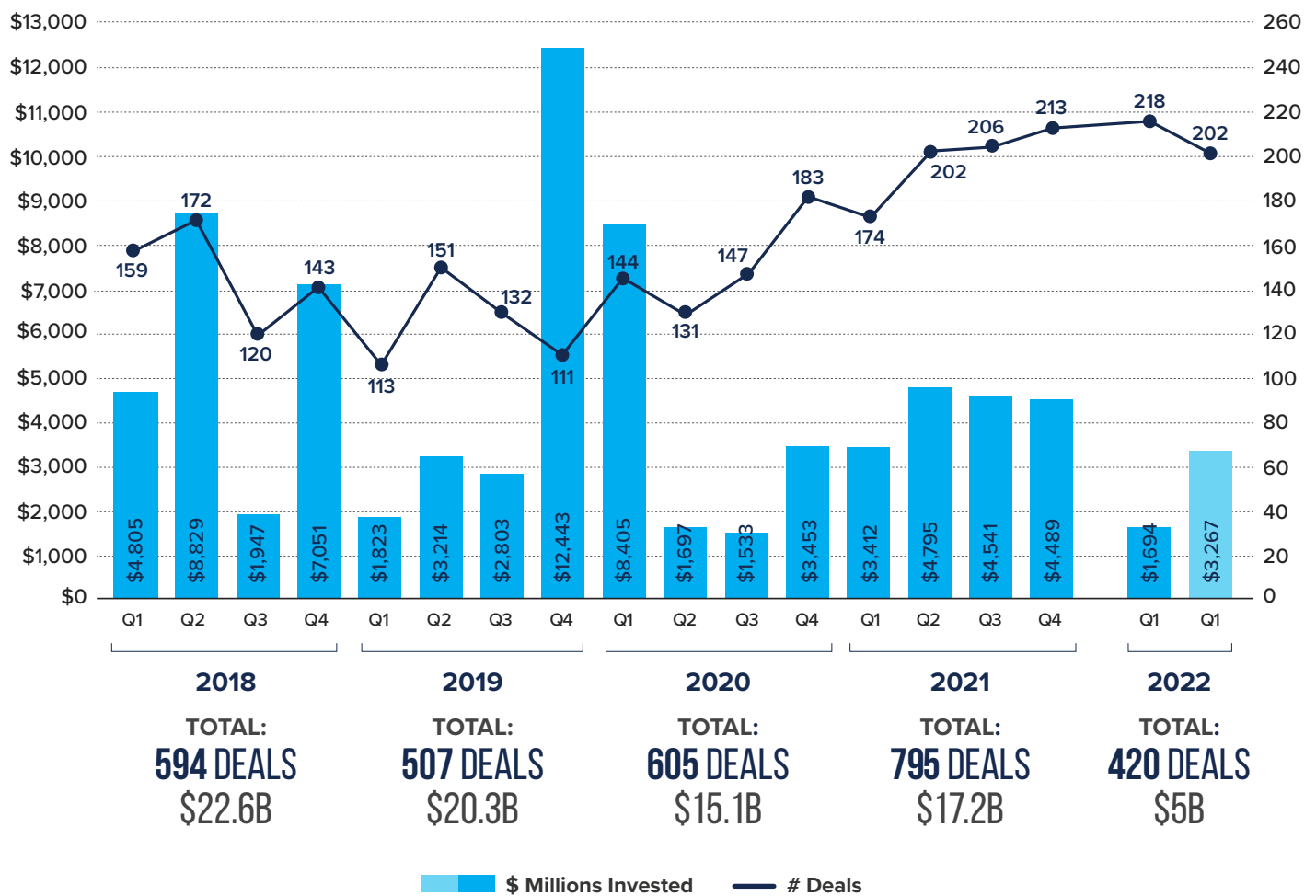
▶ TOP SECTORS PER PROVINCE BY NUMBER OF DEALS



PRIVATE EQUITY INVESTMENT ACTIVITY

ACTIVITY QUARTER-OVER-QUARTER

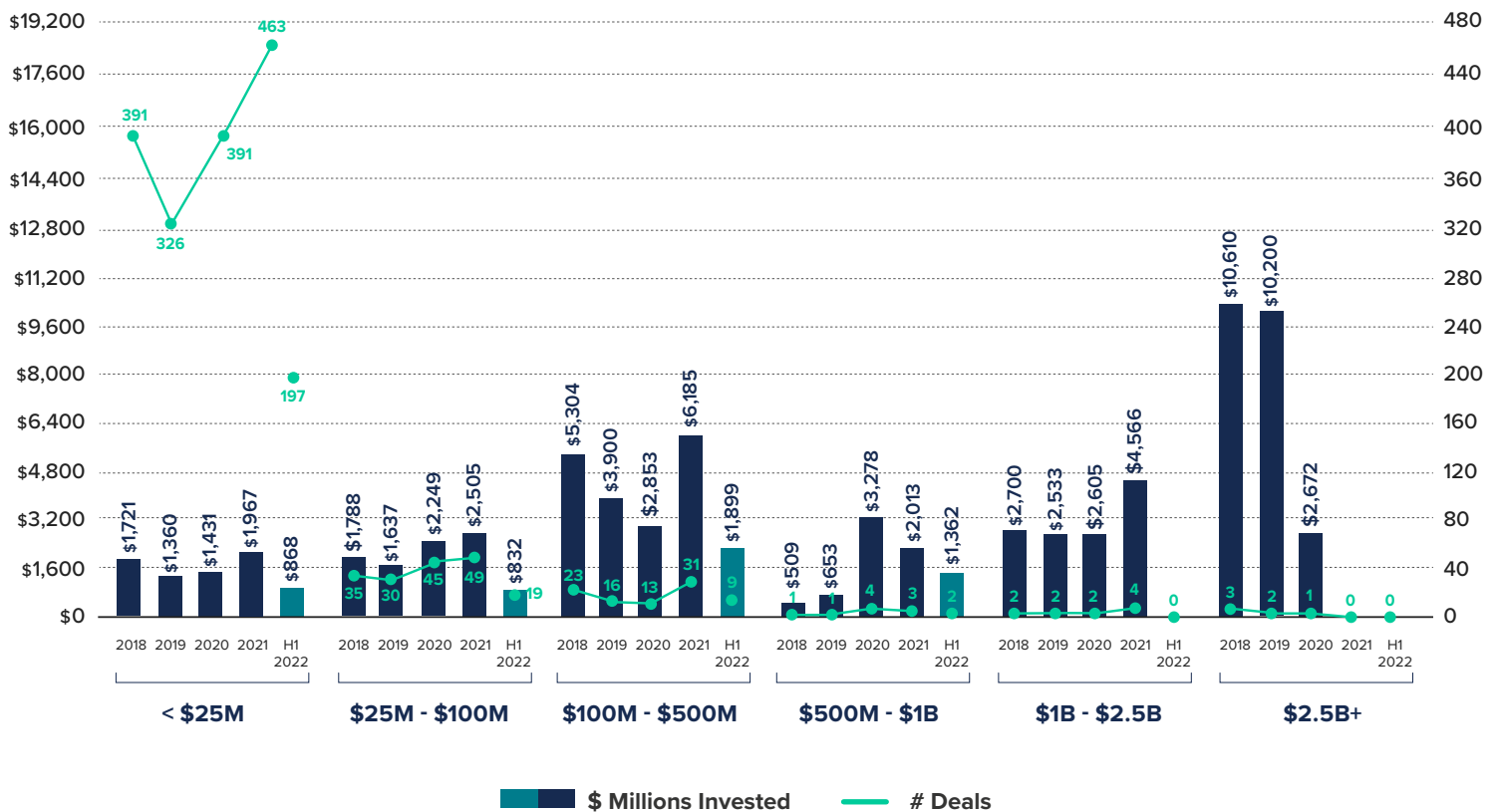
Q2 saw a 93% increase in investment value in comparison to Q1 with \$3.3B invested over 202 deals. This increase in total dollars invested was largely explained by the 2 mega-deals (500M+) that took place during the quarter which had a combined value of \$1.4B.



PRIVATE EQUITY INVESTMENT ACTIVITY

ACTIVITY BY DEAL SIZE

- Out of the 420 deals that closed in H1, 87% of the deals with disclosed values were under \$25M, while average deal size continues to decrease steadily, reaching an all-time low this quarter of \$11.81M.
- Deals <\$25M continue to make up the largest percentage of the Canadian PE activity, underscoring the importance of Canadian PE investing into small and medium-sized businesses



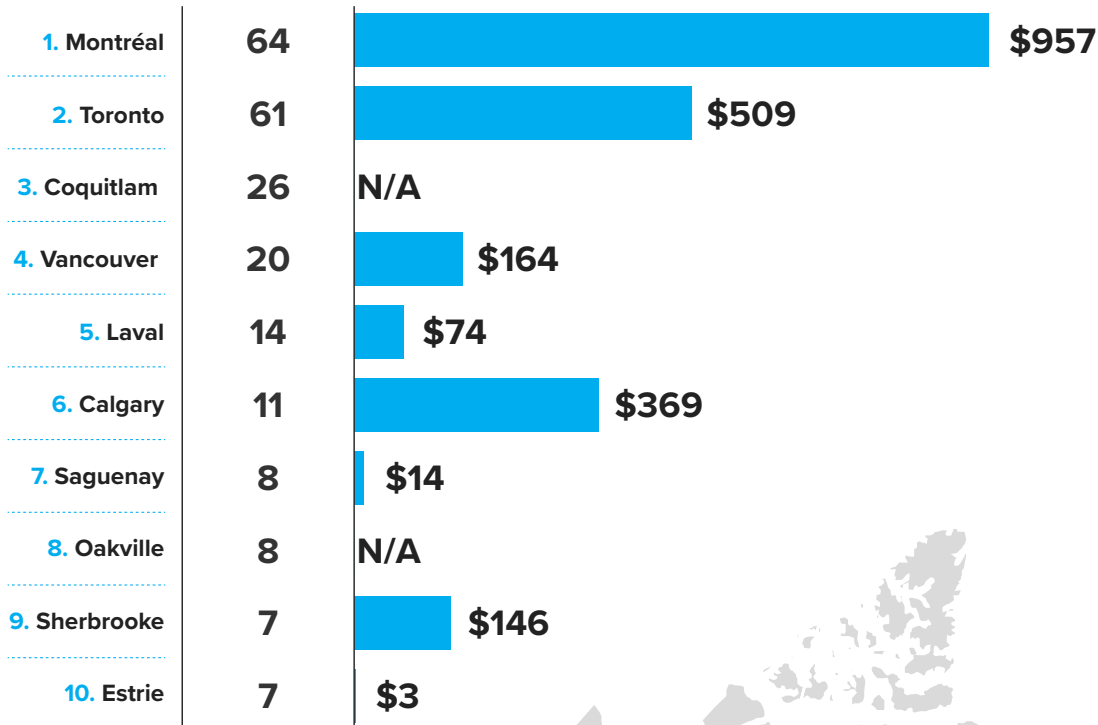
TOP DISCLOSED CANADIAN PE DEALS

COMPANY	PROVINCE	FIRMS INVOLVED IN TRANSACTION	SECTOR	\$ MIL
eSentire, Inc.	ON	GEORGIAN, CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC (CDPQ)	INTERNET SOFTWARE & SERVICES	\$414
WESTLAND INSURANCE GROUP	BC	BLACKSTONE GROUP L.P.	FINANCIAL	\$250
VAULT 44.01	AB	GREY ROCK INVESTMENT PARTNERS	ENVIRONMENTAL	\$188
ATACCAMA	ON	BAIN CAPITAL, LLC	INTERNET SOFTWARE & SERVICES	\$150
QUADFI	ON	CRAYHILL CAPITAL MANAGEMENT	INTERNET SOFTWARE & SERVICES	\$127
SYNEX BUSINESS PERFORMANCE GROUP	QC	BBH CAPITAL PARTNERS	FINANCIAL	\$100
BH Polycor Holging	QC	INVESTISSEMENT QUÉBEC	INDUSTRIAL & MANUFACTURING	\$98
Elastic Path Software Inc.	BC	BLACKROCK INC., SAGEVIEW CAPITAL LP	ECOMMERCE	\$60
Kinova Robotics	QC	EXPORT DEVELOPMENT CANADA (EDC), GRAHAM PARTNERS, INC.	HEALTHCARE/LIFE SCIENCES	\$40
WeCook Meals	QC	INVESTISSEMENT QUÉBEC, DESJARDINS CAPITAL, CLARIDGE INC.	FOOD & BEVERAGES	\$40

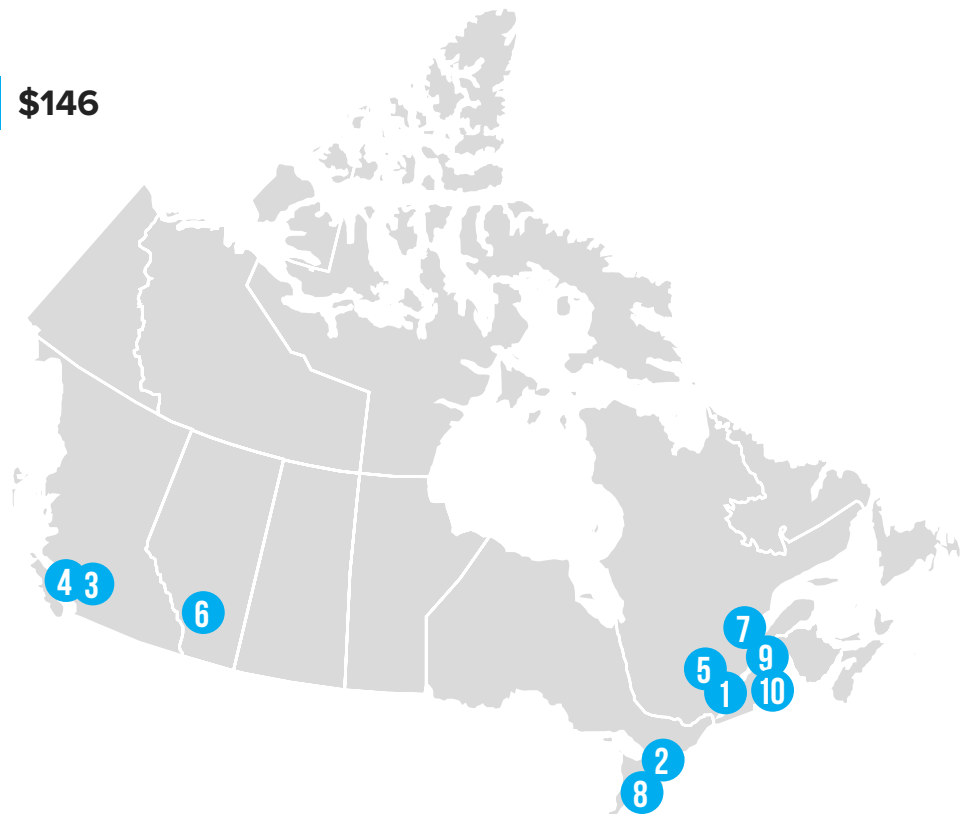
* There were 10 undisclosed deals totaling \$2.3B excluded from this table

TOP CANADIAN CITIES/ ADMINISTRATIVE CENTRES

Total Deals \$ Millions



#1 MONTREAL
\$957M
64 DEALS

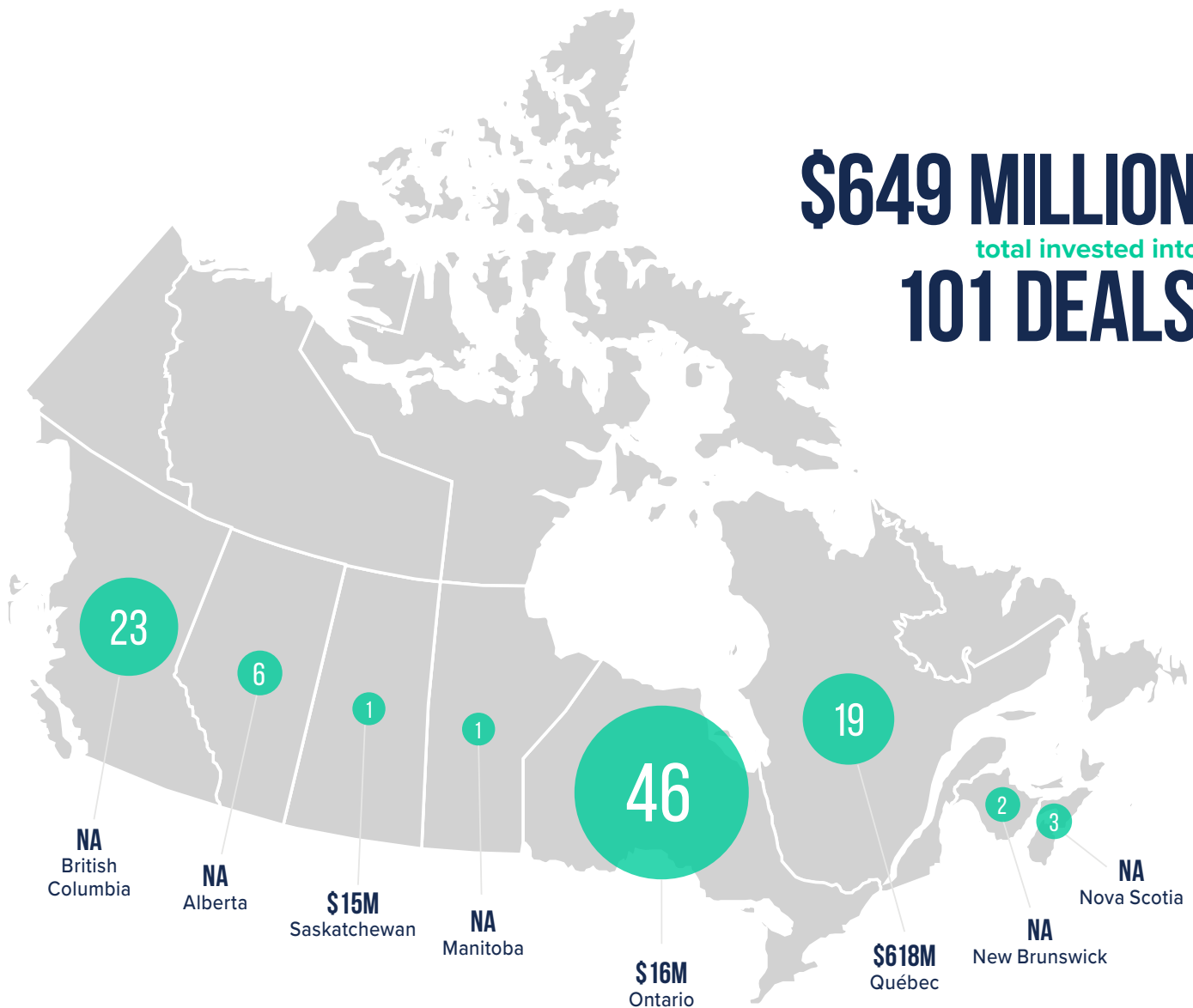


H1 2022

PRIVATE EQUITY HEAT MAP

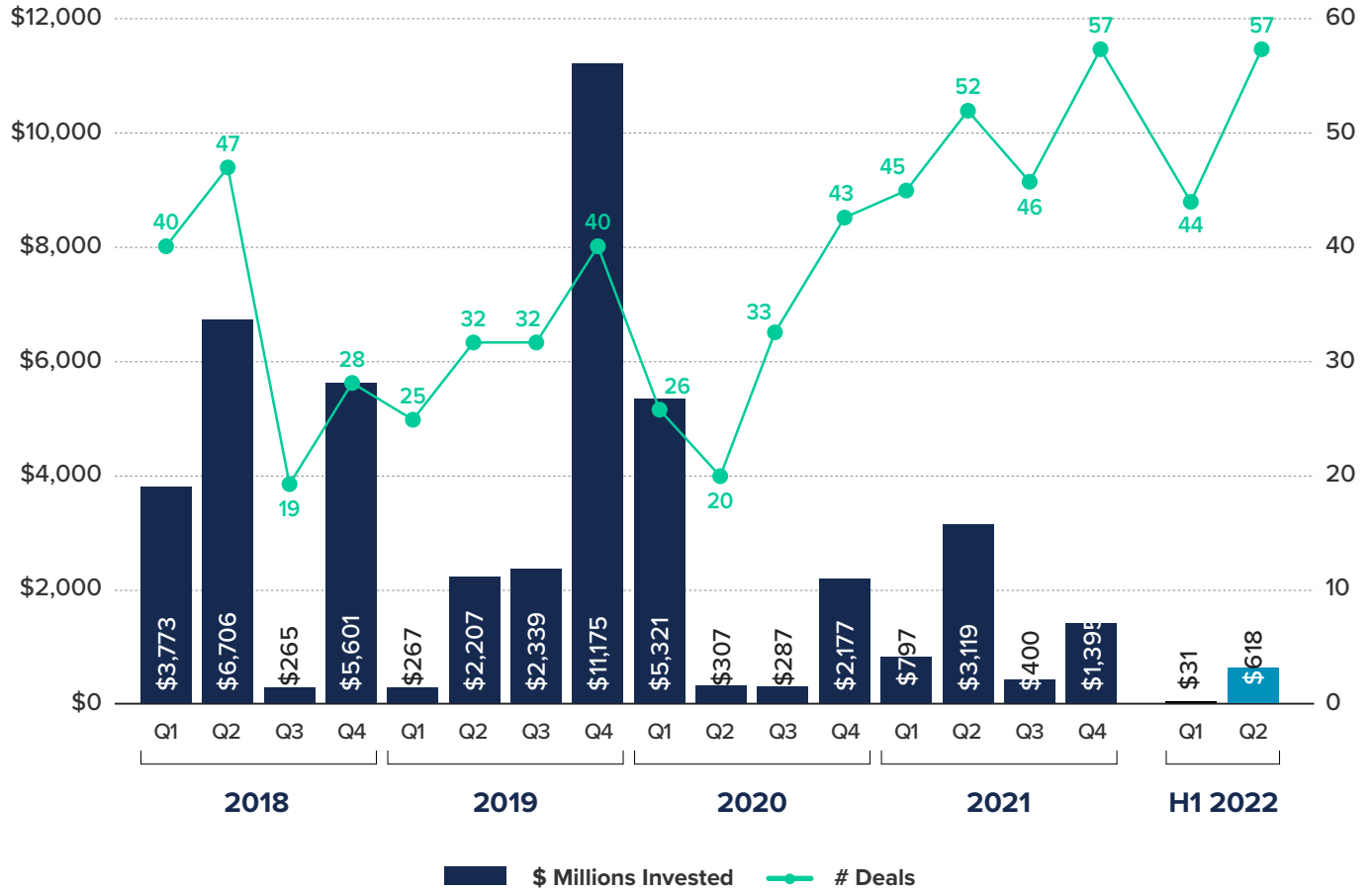
BUYOUT & ADD-ON DEALS

\$649 MILLION
total invested into
101 DEALS

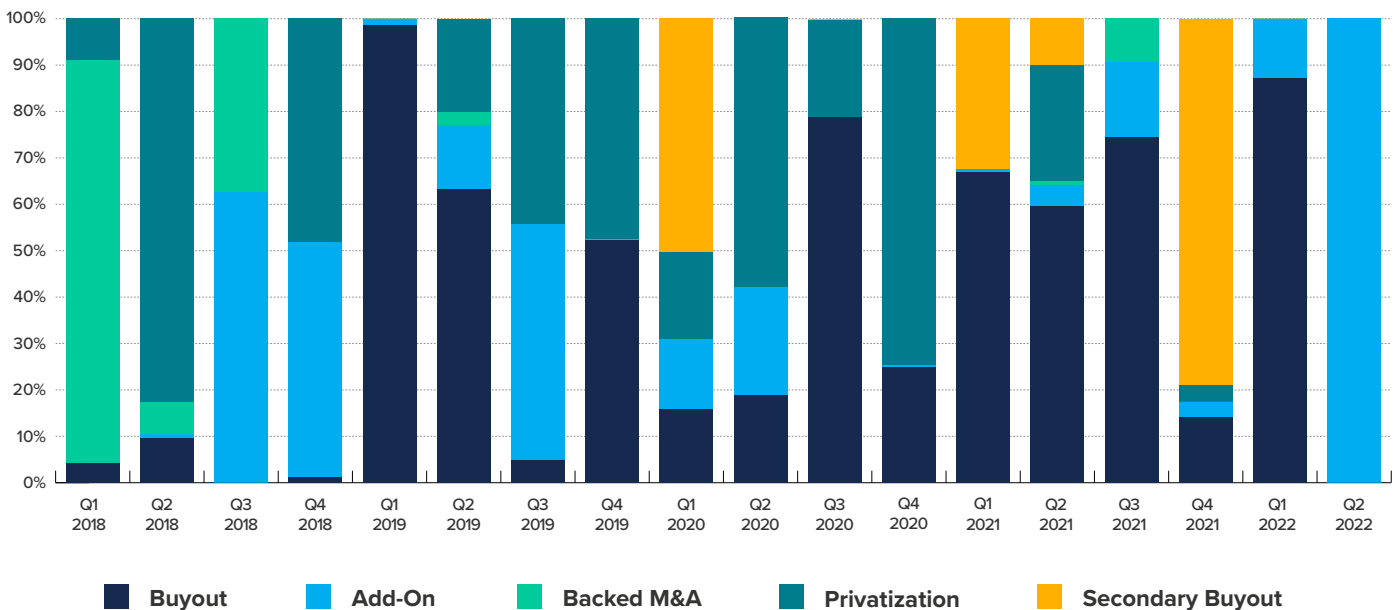


- 94 buyout and add-on investments accounted for the 93% of deals across all deal types, with \$649M of total dollars invested for the first half of the year.
- For Q2 '22 deal count in PE buyout & add-on saw 51 deals with an investment value of \$618M. When comparing Q2' 22 to Q1' 22 there was a 19% increase in deal count and an increase of \$587M in dollars invested.

▶ QUARTER-OVER-QUARTER BUYOUT & ADD-ONS INVESTMENT ACTIVITY (2018 - H1 2022)

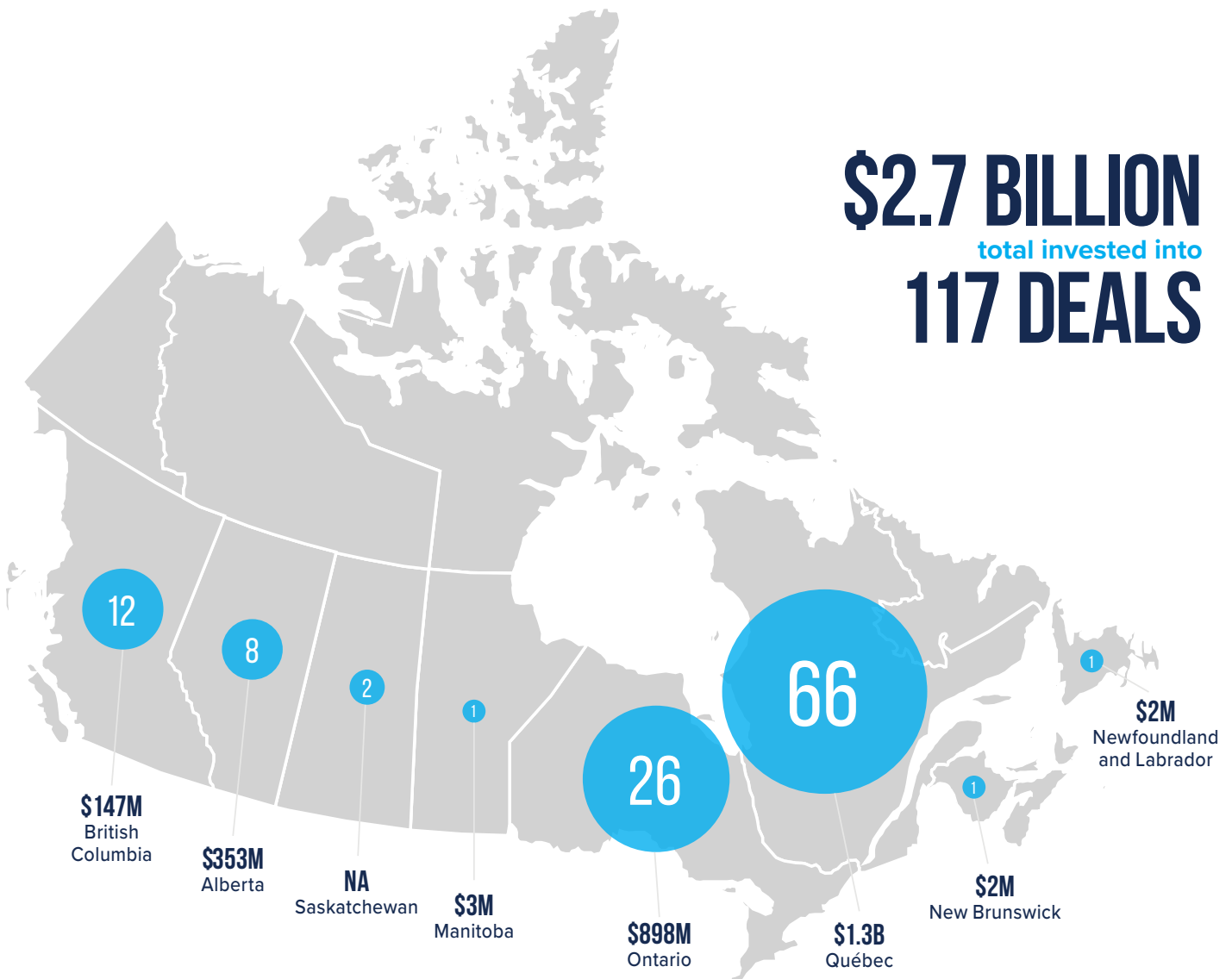


▶ BUYOUT & ADD-ON DEALS PERCENTAGE BREAKDOWN (2018 - H1 2022)



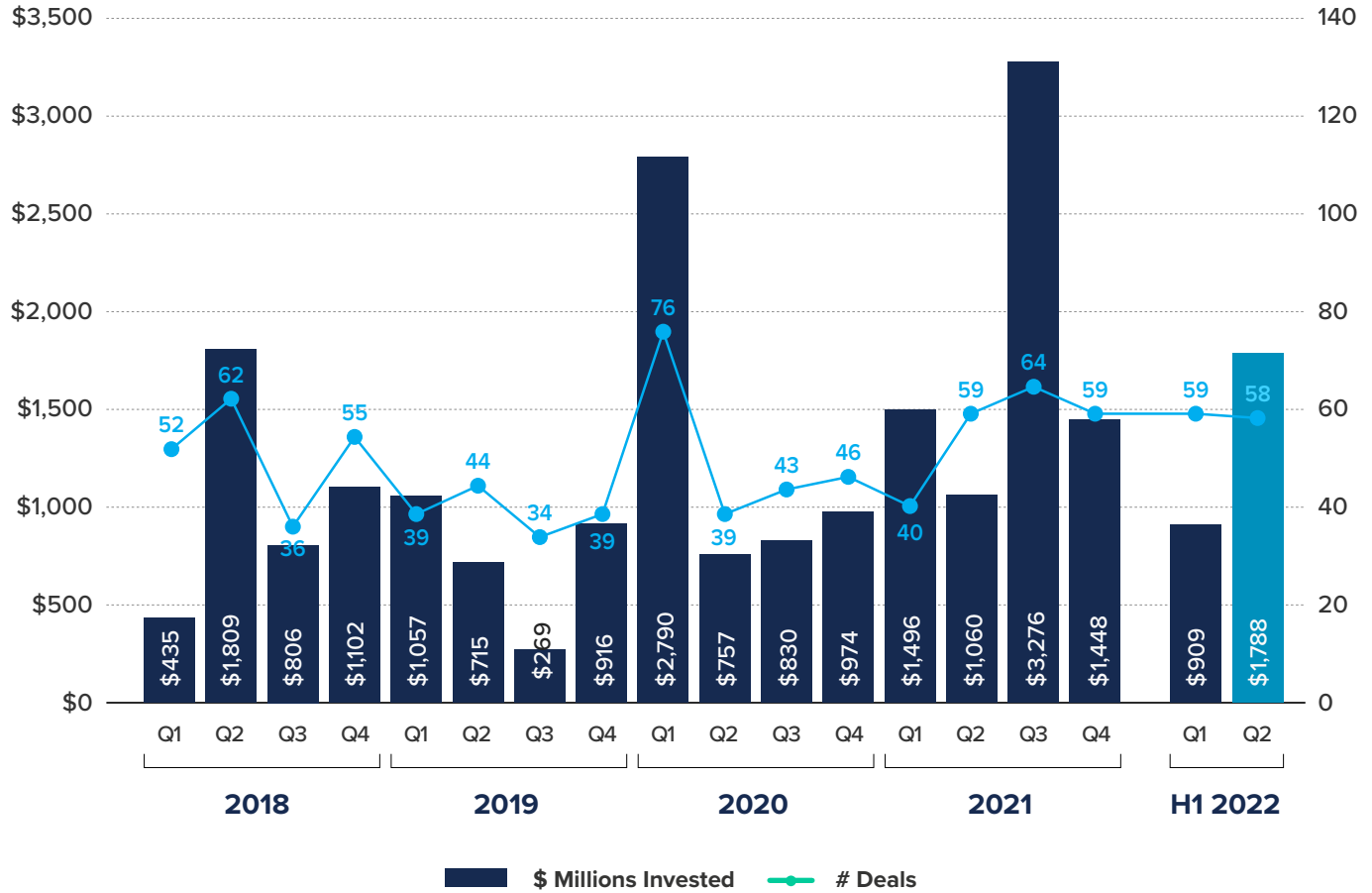
H1 2022 PRIVATE EQUITY HEAT MAP

PE MINORITY INVESTMENTS

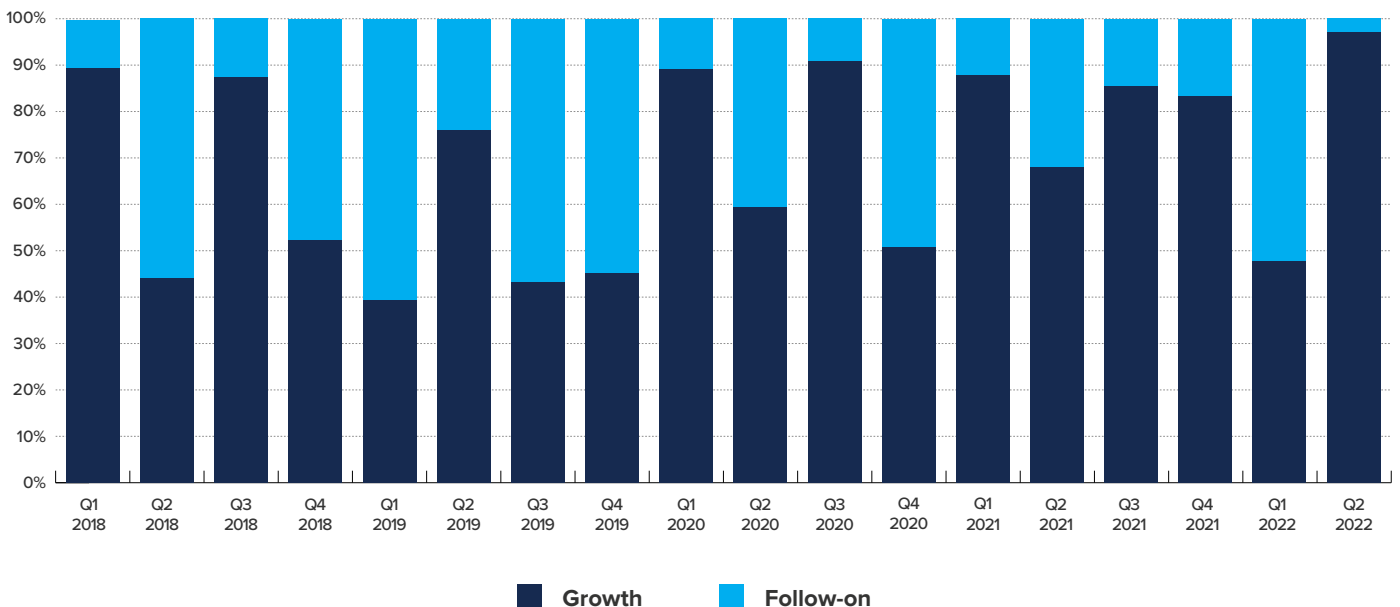


- Minority investments accounted for 54% of all PE dollars invested in H1 and almost a third of all PE activity.
- Although minority investments are trending lower than 2021 (\$7.3B over 222 deals), they are pacing above pre-pandemic levels (\$3B and 156 deals in all of 2019), with \$2.7B dollars invested across 117 deals, a trend that has remained throughout the pandemic.
- There was one undisclosed megadeal (\$500M+) in Q2 which boosted all activity for the half.

▶ QUARTER-OVER-QUARTER MINORITY INVESTMENT ACTIVITY (2018 - H1 2022)

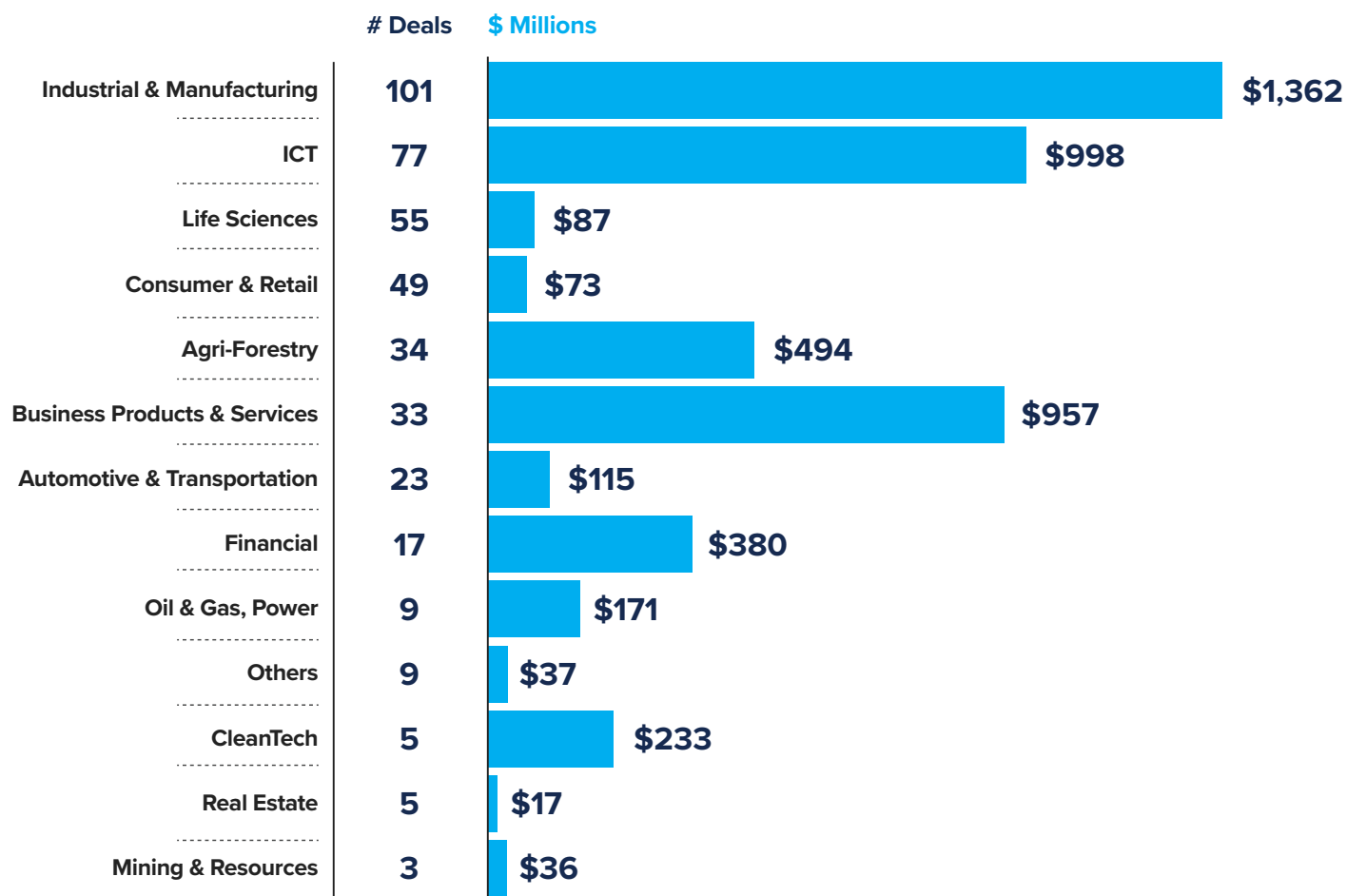


▶ MINORITY DEALS PERCENTAGE BREAKDOWN (2018 - H1 2022)



PRIVATE EQUITY SECTOR BREAKDOWN

Industrial & Manufacturing led the investment activity for H1 with 101 deals and an investment value of \$1.4B. The other top sectors in investment activity were ICT and Business Products & Services.

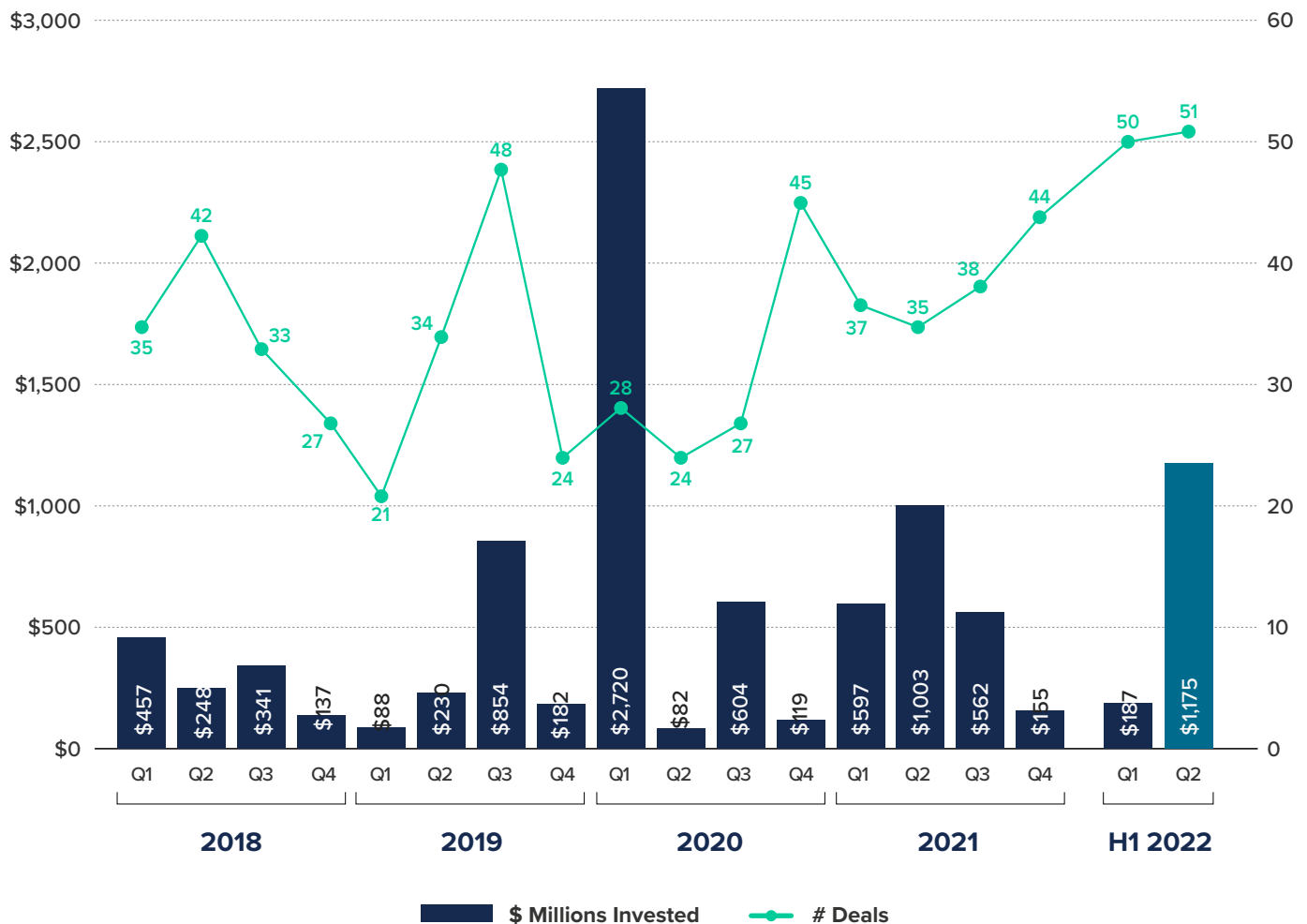


PRIVATE EQUITY TOP 4 SECTOR BREAKDOWN

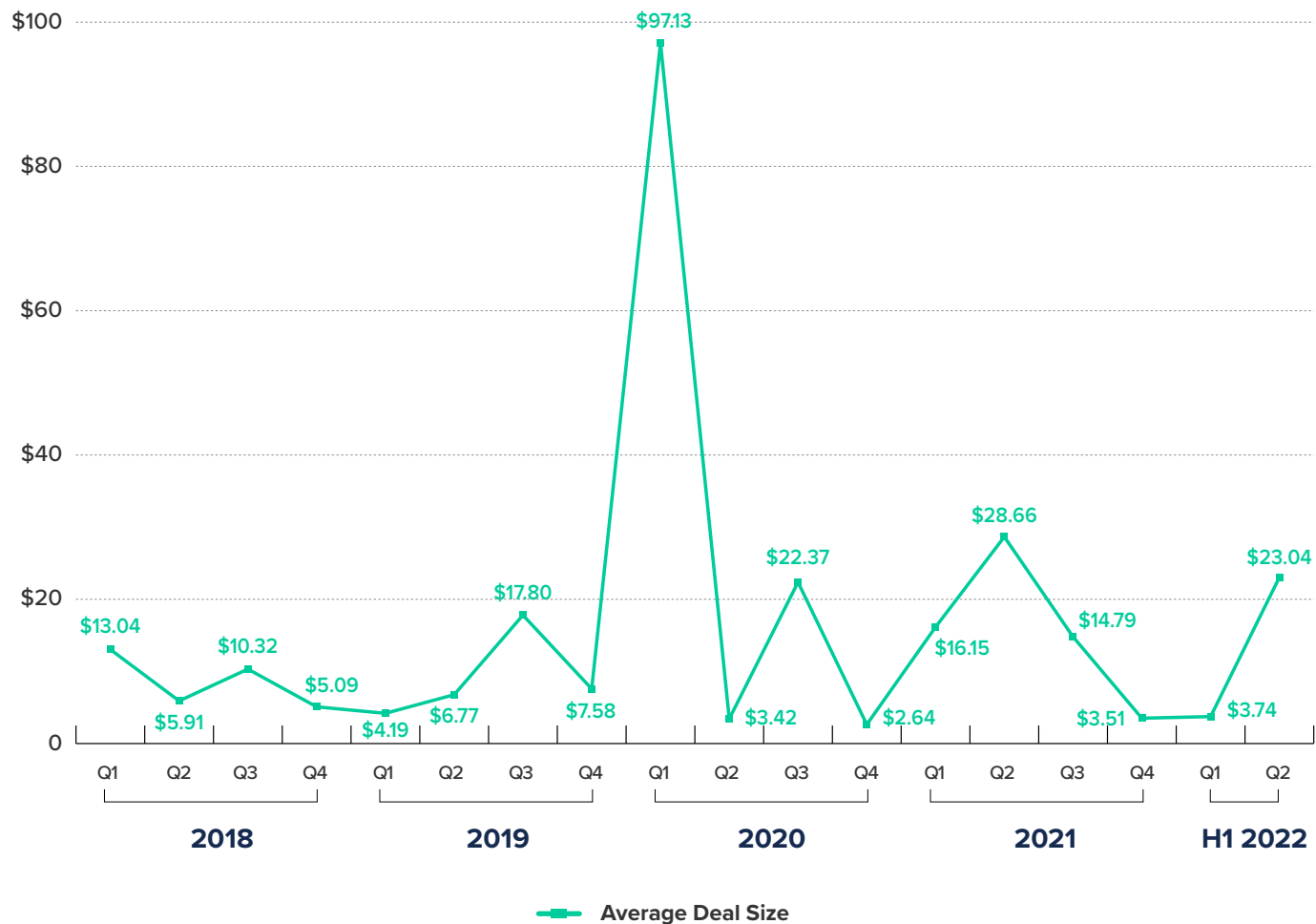
TOP 4 : INDUSTRIAL & MANUFACTURING

Industrial & Manufacturing led the investment activity for H1 with 101 deals and an investment value of \$1.4B on track to surpass what it was for 2021. This accounted for 27% of the total investment value and almost a quarter of the total deals across all sectors.

▶ QUARTER-OVER-QUARTER INDUSTRIAL & MANUFACTURING INVESTMENT ACTIVITY (2018 - H1 2022)



▶ **QUARTER-OVER-QUARTER AVERAGE INDUSTRIAL & MANUFACTURING DEAL SIZE (2018 - H1 2022)**

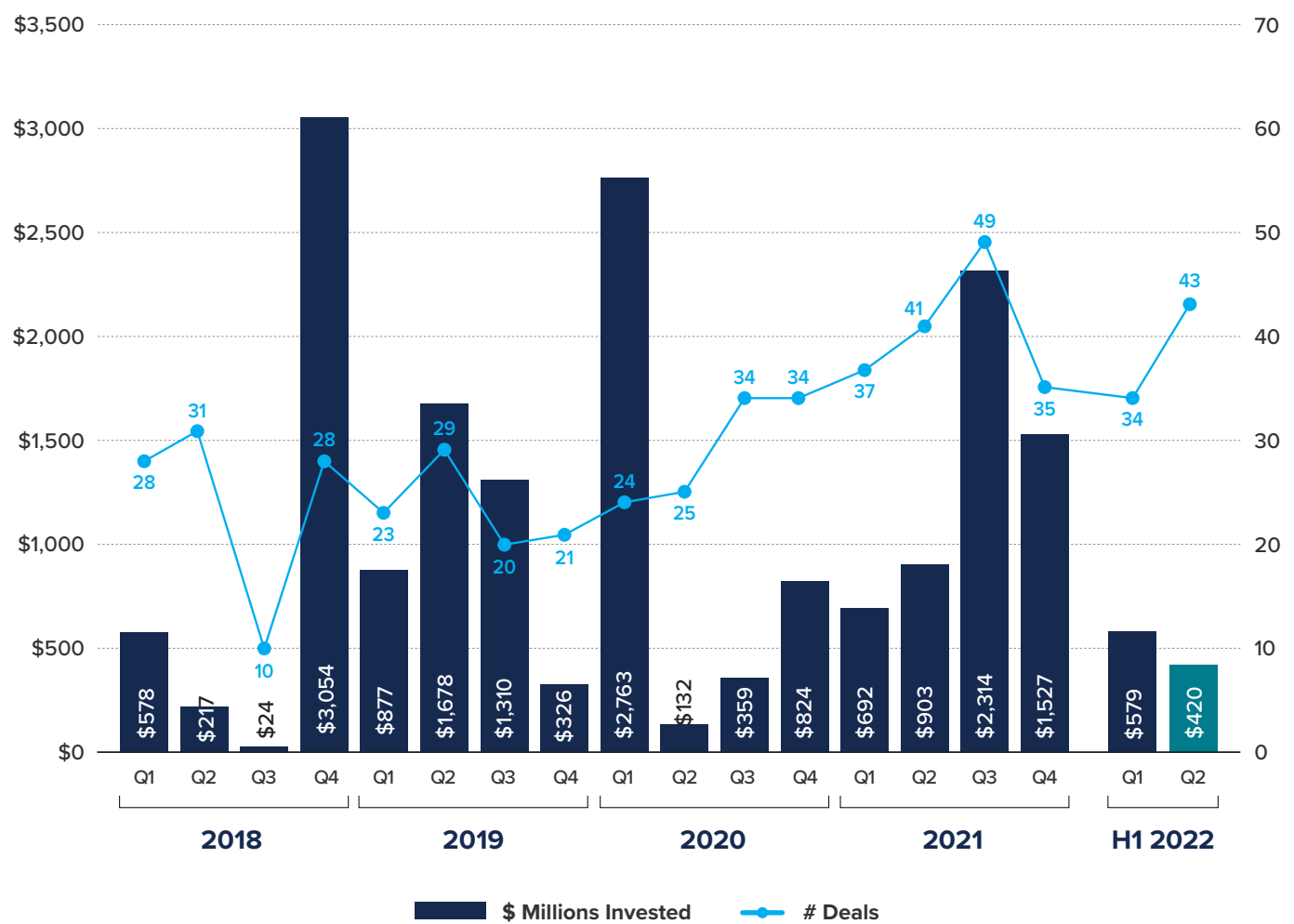


PRIVATE EQUITY TOP 4 SECTOR BREAKDOWN

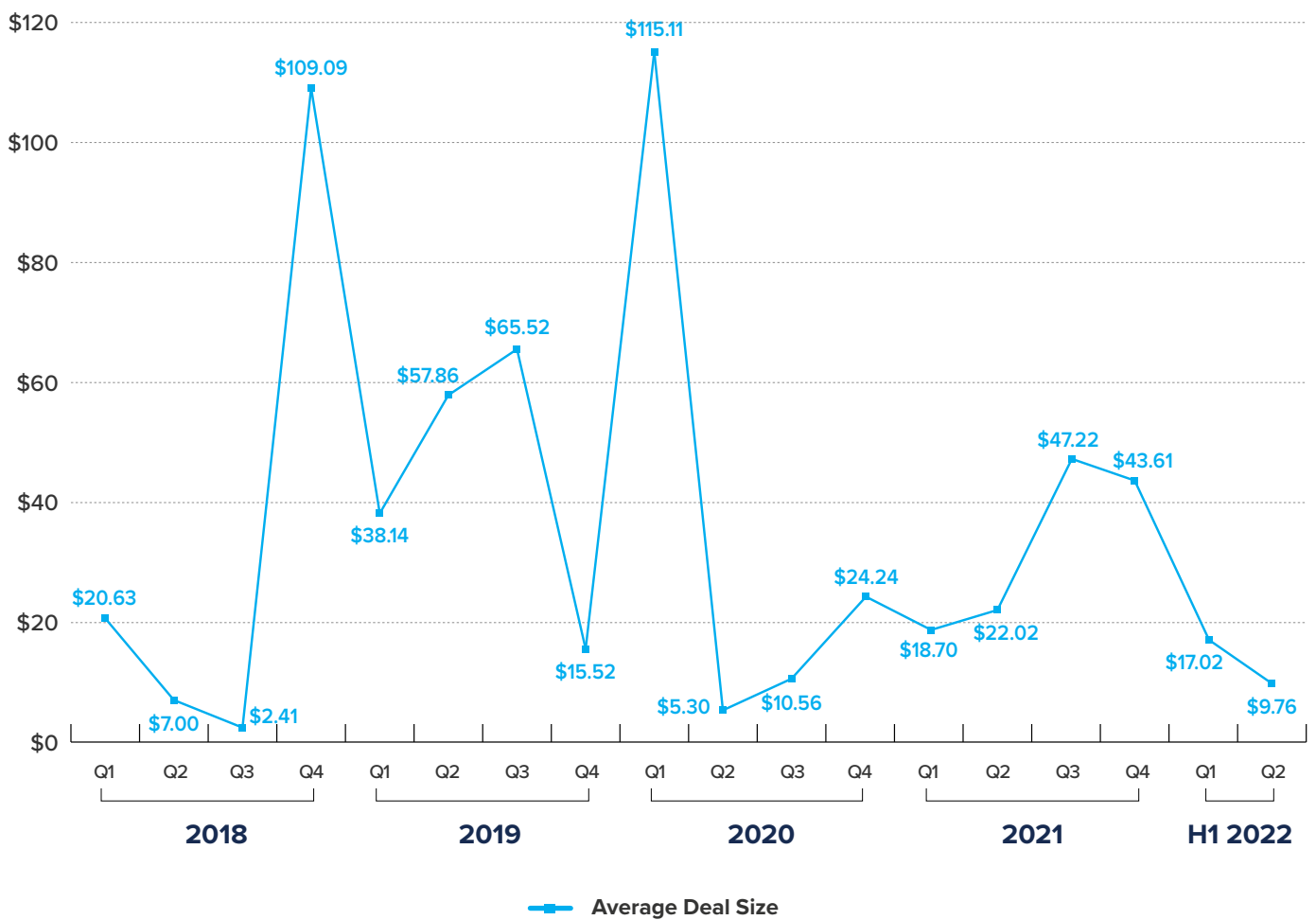
TOP 4: ICT

ICT saw the second highest deal count and investment value for H1 with 1B invested across 77 deals. This accounted for 18% of the total deal count and 20% of the total investment value which matched the 5 year average for PE ICT investment.

▶ QUARTER-OVER-QUARTER ICT INVESTMENT ACTIVITY (2018 - H1 2022)



▶ QUARTER-OVER-QUARTER AVERAGE ICT DEAL SIZE (2018 - H1 2022)

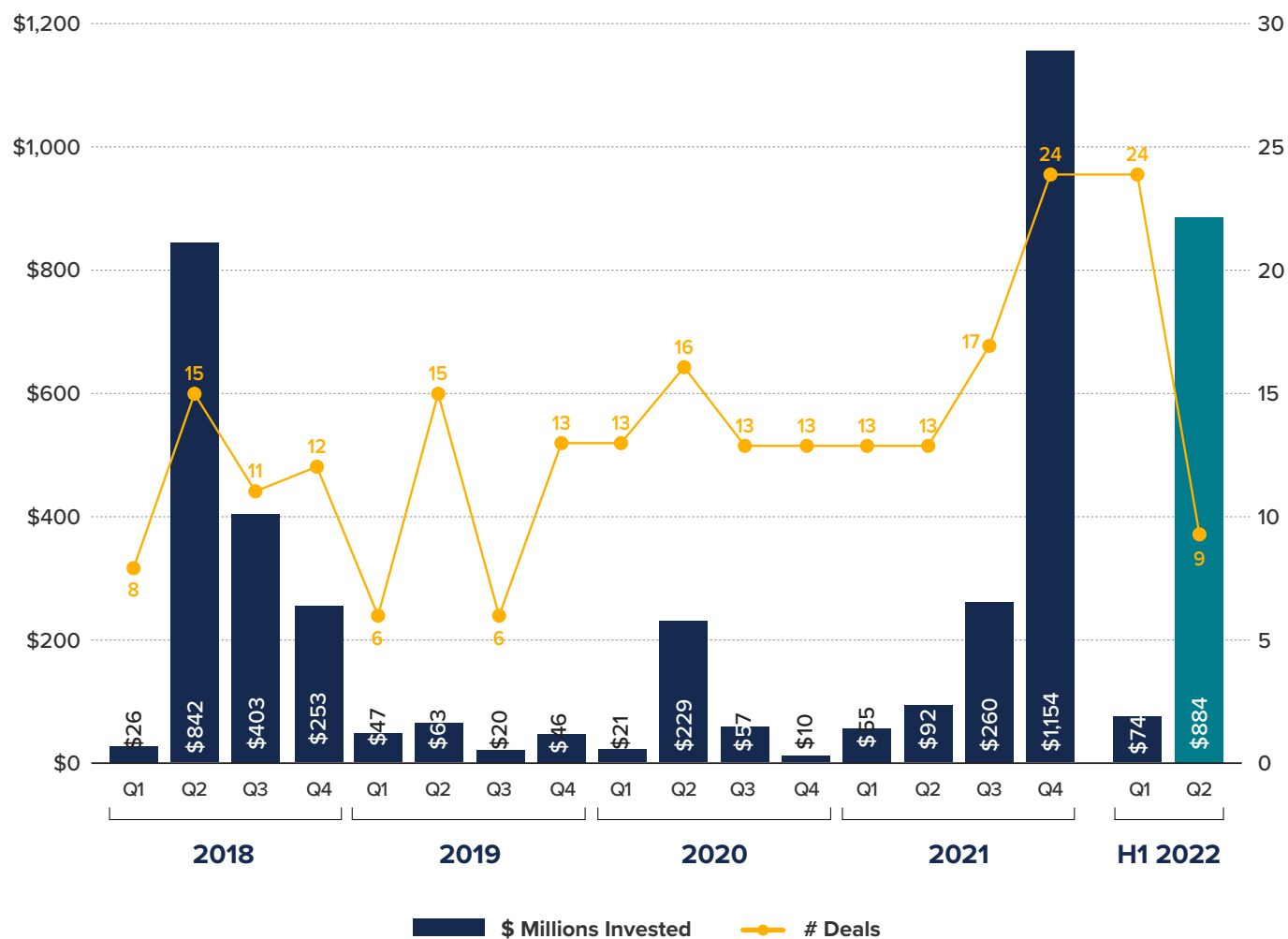


PRIVATE EQUITY TOP 4 SECTOR BREAKDOWN

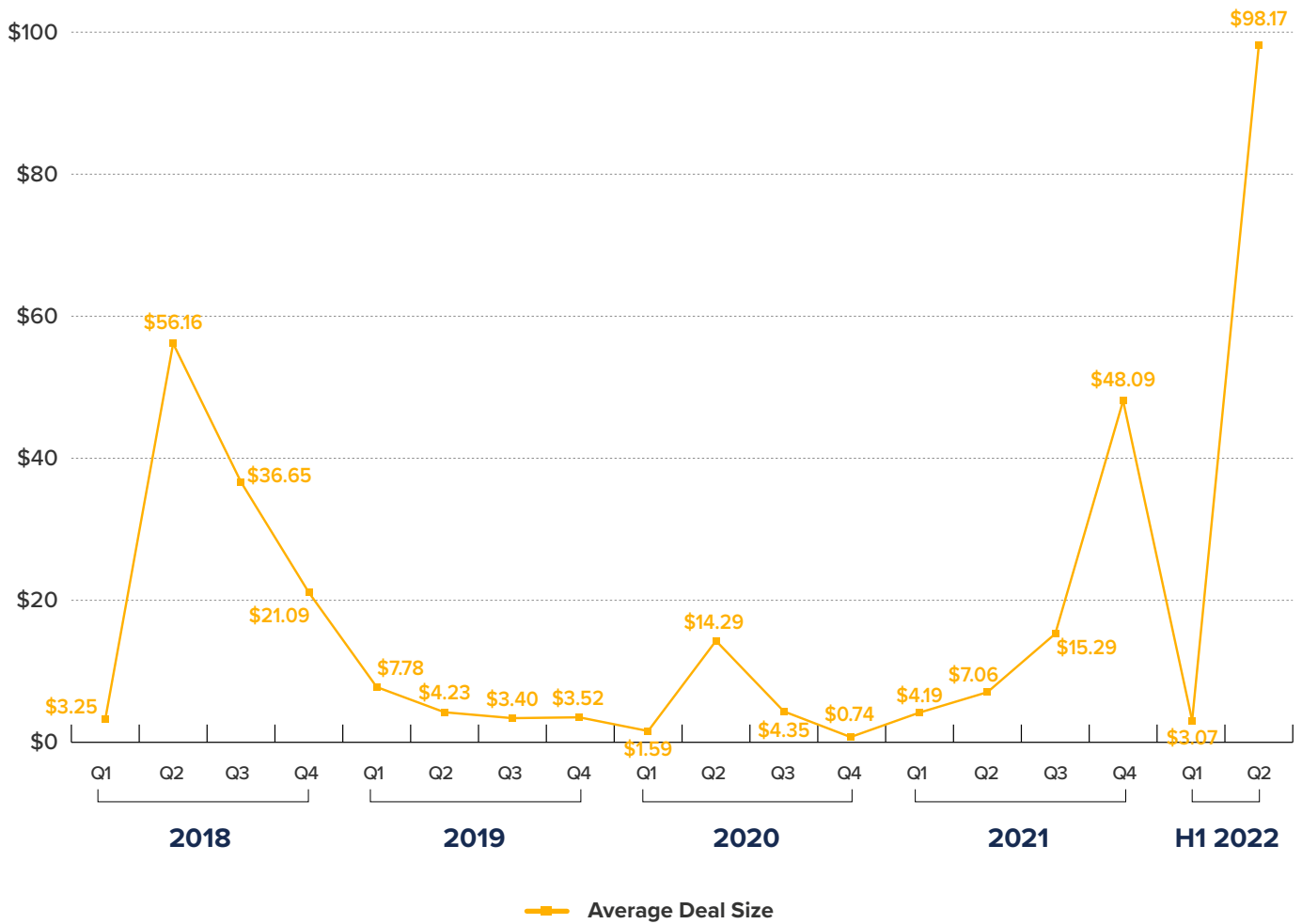
TOP 4: BUSINESS PRODUCTS & SERVICES

- The Business Products & Services sector saw a significant improvement in comparison with Q1 (\$884M across 9 deals, nearly 12x more dollars invested than Q1), bringing the total dollars invested in the half to \$957M.
- Activity in the quarter was largely by one undisclosed deal.

▶ QUARTER-OVER-QUARTER BUSINESS PRODUCTS & SERVICES INVESTMENT ACTIVITY (2018 - H1 2022)



▶ QUARTER-OVER-QUARTER AVERAGE BUSINESS PRODUCTS & SERVICES DEAL SIZE (2018 - H1 2022)

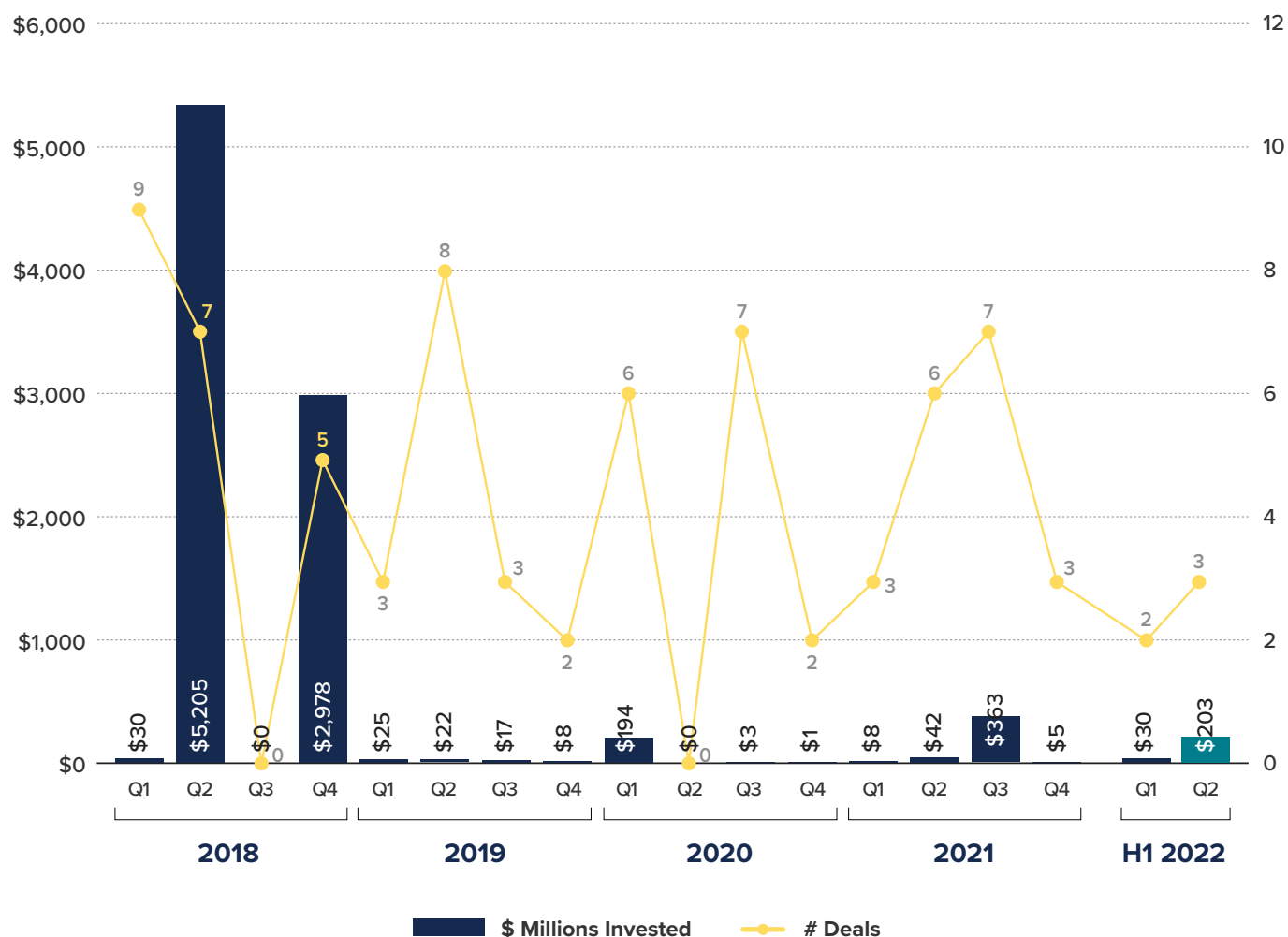


PRIVATE EQUITY SECTOR BREAKDOWN

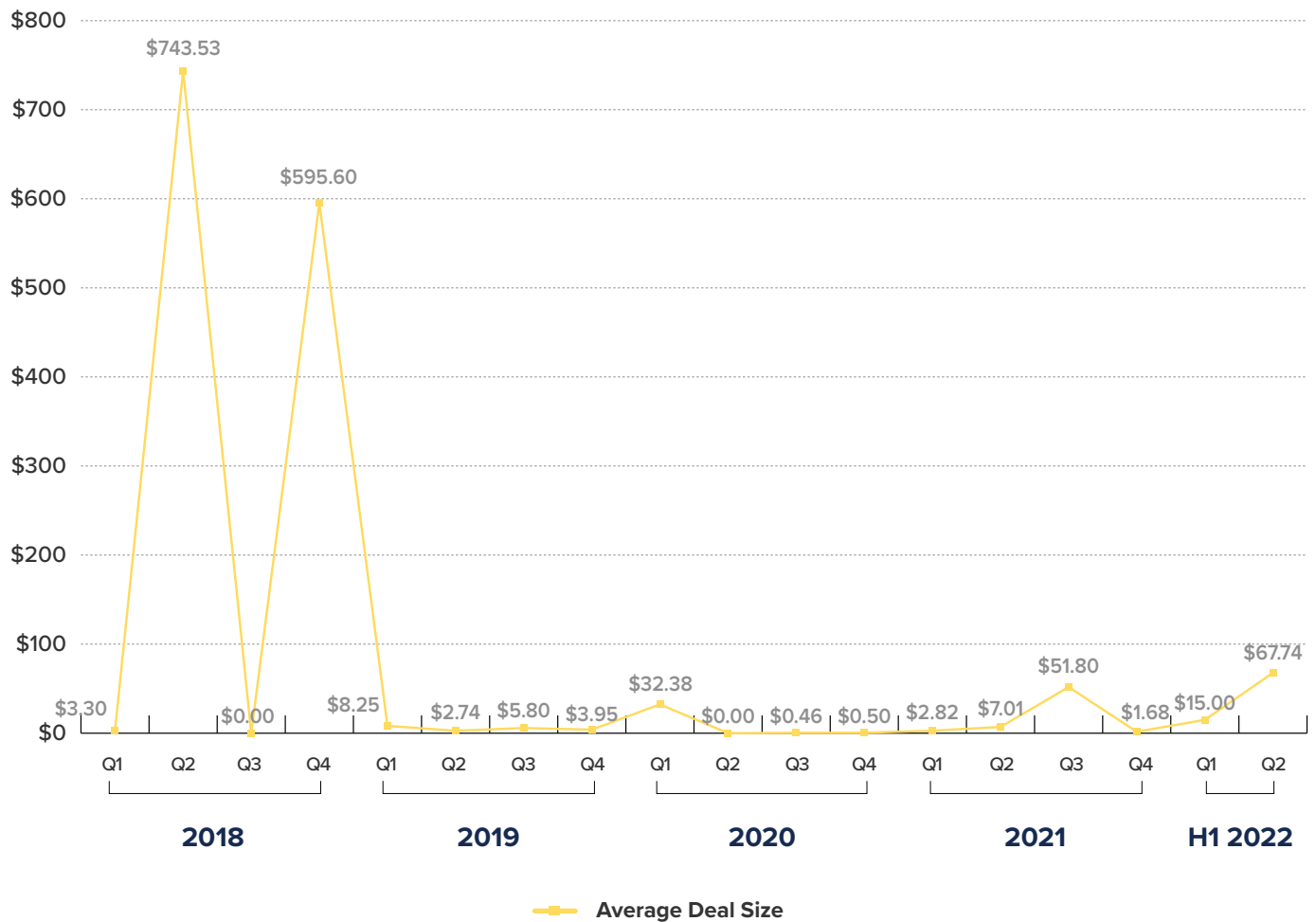
TOP 4: CLEANTECH

Cleantech held steady with 5 deals totalling \$233M for the first half of the year. The investment value is set to exceed what it was for 2021 on an annualized basis.

▶ QUARTER-OVER-QUARTER CLEANTECH INVESTMENT ACTIVITY (2018 - H1 2022)



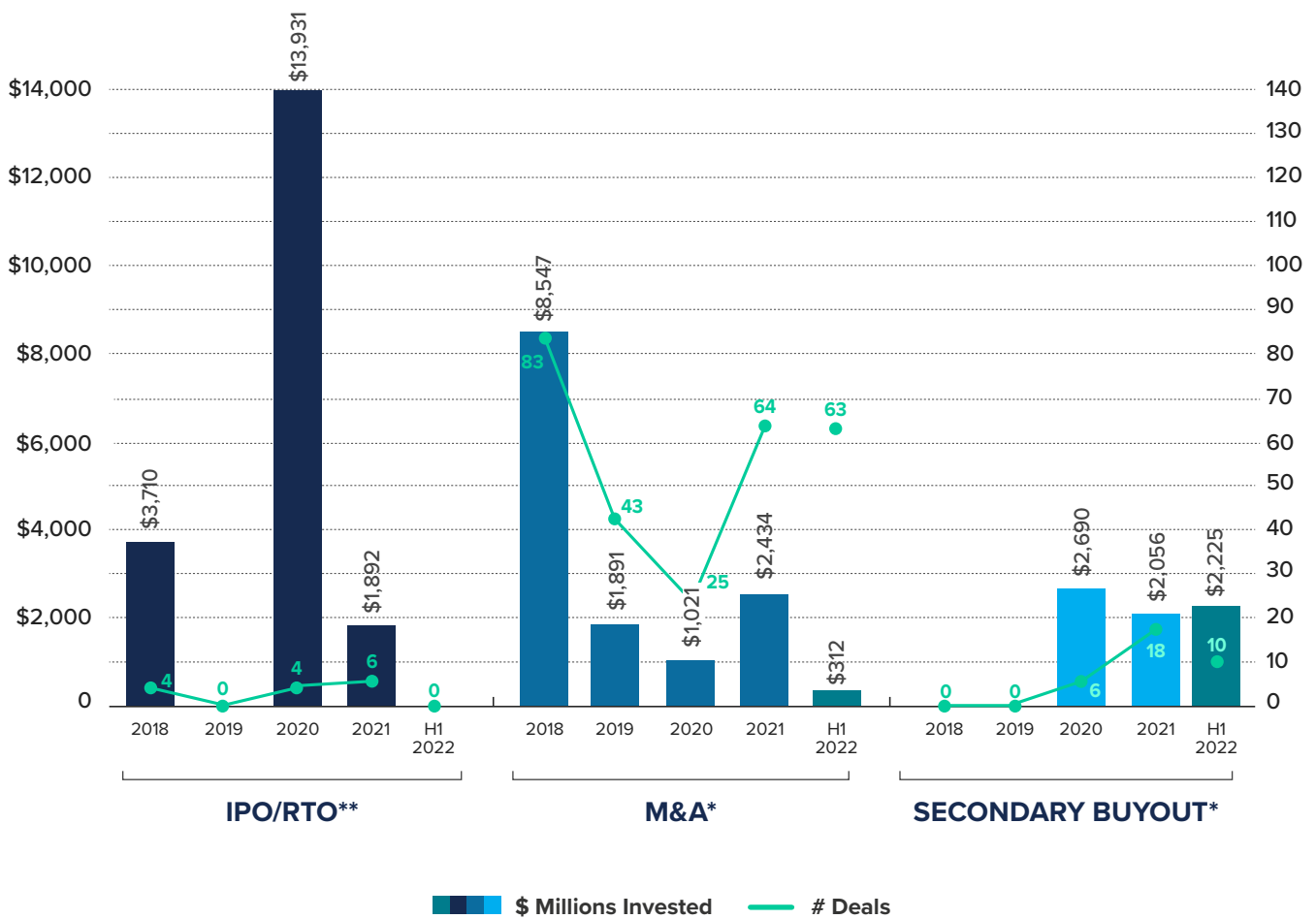
▶ QUARTER-OVER-QUARTER AVERAGE CLEANTECH DEAL SIZE (2018 - H1 2022)



PE EXITS

- H1 saw 73 exits totalling \$2.5B, while no IPOs were reported as of the first half of this year.
- On an annualized basis, 2022 is on pace to be another year with a record number of exits following the trend set in 2021. With the total

- number of exits already exceeding what it was in 2020 and 2019.
- The majority of exit activity for the first half of the year was driven by exits via a secondary buyout transaction, with 10 deals totalling \$2.2B.



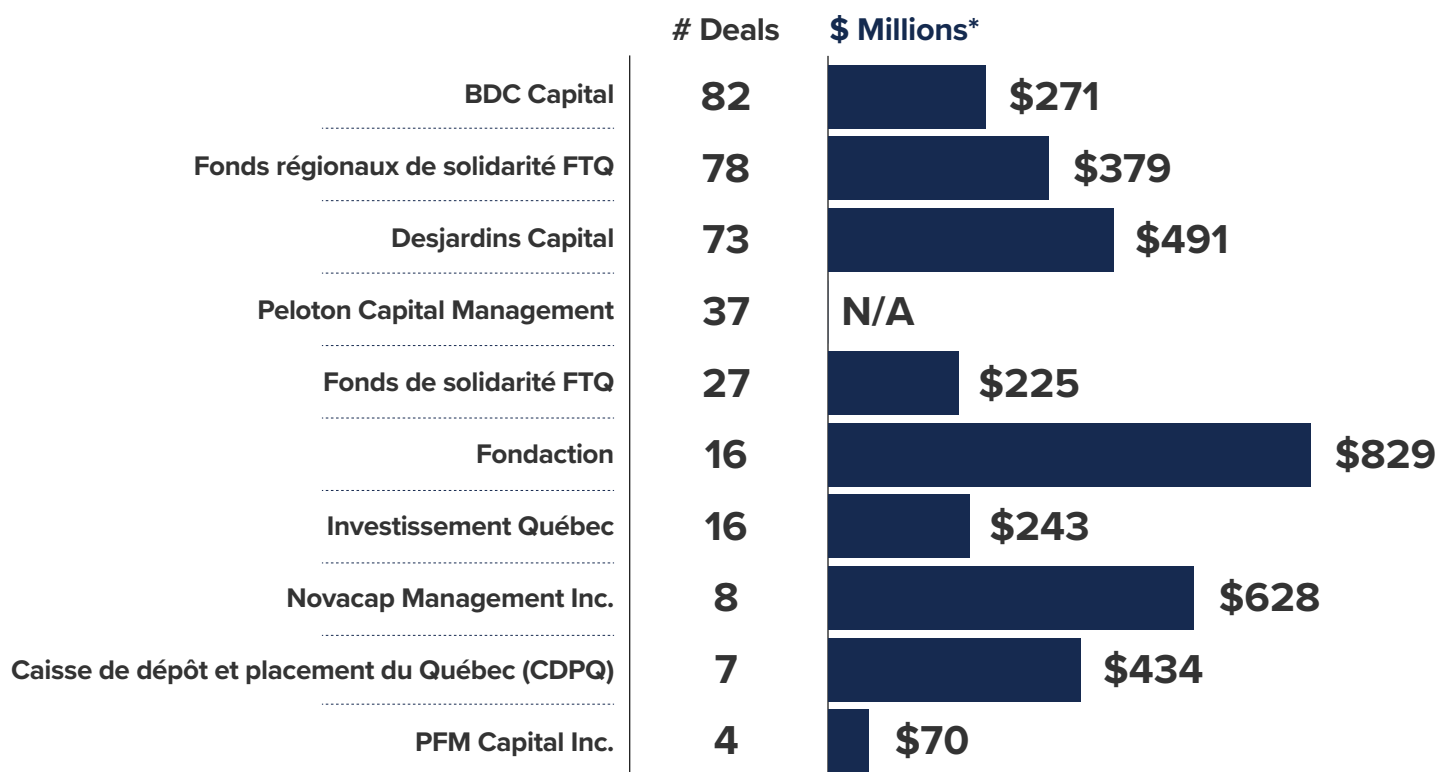
* includes transactions with undisclosed values ** IPO valuation

TOP DISCLOSED PE EXITS*

SELLER	COMPANY	ACQUIRER	\$ MIL
WARBURG PINCUS LLC	ESENTIRE, INC.	CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC, GEORGIAN	\$413

* There were 7 additional undisclosed exits totalling \$2.1B excluded from this table

**MOST ACTIVE
PRIVATE EQUITY INVESTORS**



MOST ACTIVE:
BDC CAPITAL: 82 DEALS, \$271 MILLION

*Total deal values - includes all participating investors

PARTICIPATING DATA CONTRIBUTORS

CVCA thanks the following firms who participated in its H1 2022 survey.

VENTURE CAPITAL FIRMS

7 Gate Ventures	Conexus Venture Capital	inovia Capital	Roadmap Capital
Accelerate Fund	CTI Life Sciences	KJSM Ventures Canada	Sand Hill North
ACME Capital	Cycle Capital Management	Klass Capital	ScaleUP Ventures
Active Impact Investments	Differential Ventures	Luge Capital	StandUp Ventures
Alate Partners Inc.	Ecofuel / Fonds Ecofuel	Lumira Ventures	Synergis Capital
AmorChem Fund	Emerald Technology Ventures	MaRS Investment Accelerator Fund (IAF)	Tandem Expansion
Amplify Capital	Esplanade Healthtech Ventures	Math Venture Partners	TandemLaunch
Amplitude Ventures	Espresso Capital Ltd.	McRock Capital	Telegraph Hill Capital
Anges Quebec	Evok Innovations	MKB	TELUS Pollinator Fund for Good
Anges Québec Capital / AQC Capital	FACIT	N49P	TELUS Ventures
Azure Capital Partners	Fastbreak Ventures	NAventures	The51 Ventures Fund
BCF Ventures	Ferst Capital	New Brunswick Innovation Foundation	Thin Air Labs
BDC Cleantech Practice	First Ascent Ventures	Outsized Ventures	UCeed
BDC Intellectual Property-Backed Financing	Fonds Innovexport	Panache Ventures	Uncork Capital
BKR Capital	Freycinet Ventures	Pangaea Ventures	Venbridge Ltd.
Boast Capital	Good News Ventures	Pender Ventures	Version One Ventures
Brightspark Ventures	Graphite Ventures	Proeza Ventures	Volta Labs
Canvas Ventures	Grand Ventures	Quark Venture	Waterpoint Lane
CIBC Innovation Banking	GroundBreak Ventures	Real Ventures	Wesley Clover International
CIC Capital Ventures	H Ventures	Red Thread Ventures	White Star Capital
Clanton Capital	Highline Beta	Relay Ventures	Yaletown Partners
Climate Innovation Capital	Information Venture Partners	Renewal Funds	
Clocktower Technology Ventures	Innovacorp	Rhino Ventures	

PRIVATE EQUITY & LSPEC FIRMS

AIP Private Capital	Capital Financière Agricole	Ironbridge Equity Partners	Seafort Capital
ARC Financial	CIC Capital Canada	Killick Capital Inc.	Tricor Pacific Capital Ltd.
Ardenton Capital Corporation	Clairvest Group Inc.	m2s Capital	Upper Stage Ventures
BDC Growth & Transition Capital (BDC GTC)	Clearspring Capital Partners	Maverix Private Equity	VERTU Capital
BDC Growth Equity	Fengate Real Asset Investments	Mink Capital	Vistara Growth
Birch Hill Equity Partners	Fulcrum Capital Partners	Novacap Management Inc.	Westcap Mgt. Ltd
BMO Capital Partners	Golden Triangle Angel Network (GTAN)	Peloton Capital Management	Western Investment Company of Canada Limited
CAI Capital Partners	Highland West Capital	Persistence Capital Partners	XPND Capital
Canadian Business Growth Fund	Instar Asset Management Inc.	PFM Capital Inc	Yellow Point Equity Partners
		PRIVEQ Capital Funds	

LIMITED PARTNERS

Alberta Enterprise Corporation	Fondaction	Kensington Capital Partners Ltd.
BDC Venture Capital	Fonds de solidarite FTQ	Northleaf Capital Partners
Bluesky Equities Ltd.	Fonds de solidarité FTQ (Regional)	Teralys Capital
Dancap Private Equity Inc	HarbourVest Partners (Canada) Ltd	
Desjardins Capital	Investissement Quebec	

If you would like to have your firm included in future reports, please [click here](#).

CVCA METHODOLOGY: PRIVATE EQUITY

PRIVATE EQUITY DATA:

Dataset includes only completed private equity deals (announced but yet to be completed deals are not included).

PE DEAL TYPE	
BUYOUT	INVESTMENT FOR THE CONTROL OF A PORTFOLIO COMPANY, INCLUDING PLATFORM CREATION, SECONDARY BUYOUT
GROWTH	SIGNIFICANT MINORITY INVESTMENT INTO A PORTFOLIO COMPANY, THROUGH NEW CAPITAL INFUSION AND RECAPITALIZATION
ADD-ON	CORPORATE ACQUISITIONS BY MAJORITY CONTROLLED PE BACKED PORTFOLIO COMPANIES
DEBT	DEBT INVESTMENT INTO PORTFOLIO COMPANIES
INFRASTRUCTURE	INVESTMENTS INTO DEVELOPMENT AND MANAGEMENT OF INFRASTRUCTURE ASSETS BUT PE DOES NOT OWN THE UNDERLYING ASSETS

PE SECTORS	
AGRI-FORESTRY	AGRICULTURE, FOODS AND FORESTRY
AUTOMOTIVE & TRANSPORTATION	TRANSPORTATION, LOGISTICS AND RELATED SERVICES
BUSINESS PRODUCTS & SERVICES	BUSINESS PRODUCTS AND SERVICES
CLEANTECH	ENERGY AND FUEL TECHNOLOGIES, EFFICIENCY AND CONSERVATION, RENEWAL ENERGY, ENVIRONMENTAL TECHNOLOGIES AND OTHER ENERGY AND ENVIRONMENTAL PRODUCTS AND SERVICES
CONSUMER & RETAIL	CONSUMER PRODUCTS AND SERVICES, BRICK AND MORTAR RETAIL
FINANCIAL	FINANCIAL SERVICES
ICT	COMPUTER HARDWARE/SOFTWARE & SERVICES, INTERNET SOFTWARE & SERVICES, ECOMMERCE, ELECTRONIC & SEMICONDUCTOR, MOBILE & TELECOM AND SERVICES
INDUSTRIAL & MANUFACTURING	EQUIPMENT AND MATERIAL MANUFACTURING
LIFE SCIENCES	BIOTECH, MEDICAL DEVICES, PHARMACEUTICALS, EHEALTH, HEALTHCARE PRODUCTS AND SERVICES, AND OTHER MEDICAL RELATED PRODUCTS AND SERVICES
MINING & RESOURCES	NON OIL AND GAS NATURAL RESOURCES
OIL & GAS, POWER	OIL & GAS, POWER AND UTILITIES
REAL ESTATE	PROPERTY DEVELOPMENT AND MANAGEMENT

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