Cassels

Private Equity Outlook

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Welcome to our mid-year 2024 Private Equity Outlook.

As part of our commitment to providing timely and insightful commentary and analysis for industry players, we're pleased to present this review of the market, a look at legal trends, and our forecast for H2 2024.

State of the Market

An Update on Private Equity M&A in Canada >

The M&A market – and particularly mid-market private equity M&A – remains uncertain. This article looks at H1 2024 results, a forecast for H2 2024, and legal trends from across the industry.

Navigating Uncertainty: Legal Trends in Share Purchase Agreements for Private Equity in the Face of Market Volatility >

In an M&A environment that is uncertain, dealmakers are employing creativity in an attempt to bridge gaps around valuations and assuage concerns about diligence findings.

Generational Changes to the Canadian Merger Review Regime >

A recent series of amendments to the *Competition Act* represent the most important changes to Canadian competition law in almost 40 years.

Regulatory Pressures – Clear, Present and Looming Dangers >

As the geopolitical climate continues to incite governmental trade controls, private equity firms must be prepared to react in a timely fashion and avoid inadvertent infringements.

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In Case You Missed It

Budget 2024: Did the Federal Government Get the Balance Right? >

A summary of select income tax measures announced in Budget 2024 from our national Tax & Trusts team.

Use It or Lose It! Non-Compliance With USA Provides Risk of Repudiation of Share Transaction >

A recent decision by the Ontario Court of Appeal demonstrates that a share purchase agreement arising from the triggering of a non-mandatory buy-sell clause in a unanimous shareholders agreement (USA) can be a standalone contract, and therefore that contract has the risk of being repudiated.

2023: The Year in Review in Employment Law >

Highlights of some of the most notable developments in employment, labour, and immigration law in Canada over the past year from our national Employment & Labour team

Changes To Employee Termination Entitlements in Effect on February 1, 2024 for Federally Regulated Employers >

Federally regulated employers should be aware of two significant changes to the *Canada Labour Code* that came into force earlier this year, which enhanced entitlements to employees upon termination of their employment.

Canada's Modern Slavery Legislation Is Now in Force – What You Need to Know >

Highlighting key details from guidance released by Public Safety Canada regarding Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act.*

New "Transparency Register" Public Filing Requirements for Federal Corporations >

Private corporations incorporated federally under the *Canada Business Corporations Act* are now required to file online with Corporations Canada certain information relating to ISCs. More significantly, Corporations Canada will be permitted to make certain information on ISCs public through the Corporations Canada website.

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What We're Reading

A Better Approach to Mergers and Acquisitions >

Key Takeaways: The odds of failure have been inverted. In the original study (from 20 years ago), 70% of deals surveyed were classified as failures. In the new study, 70% of the deals succeeded. (Other studies have displayed less dramatic improvements, but still a positive trend over the past 20 years.) Why is that the case? Acquiring companies use M&A to pursue a broader range of strategies and acquirers are more sophisticated in their due diligence. From the legal perspective alone, the array of searches, investigations (leveraging “clean teams”) and practice areas that are deployed on many deals has expanded significantly. More deals also means more experience and expertise, which includes the development of full-time M&A professionals. Finally, because buyers are better at integration. A key finding of the report indicates that companies that complete at least one acquisition per year earn double “the returns” earned by those that rarely or never do deals.

Private Equity Needs a New Talent Strategy >

Key Takeaways: Investors can no longer rely solely on financial engineering—such as leveraging debt to generate returns on underperforming assets—to secure superior returns. Market dynamics have shifted. Now, portfolio companies must be driven by exceptional leaders and capable managers focused on execution. Research by the Institute for Private Capital indicates that since 2010, operational improvements (revenue growth and increasing margins) have generated 47% of value creation, up from 18% in the 1980s. Meanwhile, gains from financial tactics have decreased from 51% to 25%. As such, PE must emphasize leadership effectiveness as the key to value creation. To maximize returns, successful firms need to prioritize hiring skilled human capital managers, develop a leadership strategy, incorporate leadership assessments early, and drive such changes from the beginning of any deal.

Hidden Potential: The Science of Achieving Greater Things >

Synopsis: In his latest work, distinguished organizational psychologist Adam Grant masterfully combines ground-breaking research and compelling narratives to show that progress depends less on how hard we work than how well we learn. In his new book, Hidden Potential, Grant explores how to build the character skills and motivational structures to realize our potential, and how to design systems that create opportunities for those who have been underrated and overlooked.

What We're Up To

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Cassels Achieves Mansfield Certification Plus >

The firm is proud to announce that we've achieved Mansfield Certification Plus and we continue our efforts to remain Mansfield Certified.

Cassels Recognized Among Leaders in M&A and Private Equity >

We are proud to partner with our clients on M&A deals across the country. For this work, Cassels is consistently recognized among our peers by such prestigious third-party league table ranking authorities as *Pitchbook*, *LSEG*, and *GlobalData.*

Jake Bullen Elected to the Board of ACG Toronto >

Cassels partner Jake Bullen has been elected to the Board of the Association for Corporate Growth (ACG) Toronto.

Larry Weinberg Moderates Panel at the Annual CFA Convention >

Earlier this year, Larry Weinberg moderated a panel at the annual CFA convention titled "Anatomy of a Deal."

Searching, Winning, and Closing – A Tour through the M&A Cycle (Cassels Seminar) >

In late 2023, Cassels hosted its first annual Independent Sponsor (IS) seminar, entitled "Searching, Winning, and Closing – A Tour Through the M&A Cycle."

Yantra Acquired by Riveron >

Cassels acted as Canadian counsel to Yantra on this transaction.

Norwest Equity Partners Acquires MDC Interior Solutions >

Cassels acted as Canadian counsel for NEP on this transaction.

Morgan Stanley Capital Partners Acquires Resources Innovations >

Cassels acted as Canadian counsel for MSCP on this transaction.

Matson, Driscoll & Damico Acquired by Davies US >

Cassels acted as Canadian counsel for MDD on this transaction.

SupplyOne Inc. Expands Beyond the US With Acquisition of Crownhill Packaging >

Cassels acted as Canadian counsel for SupplyOne on this transaction.

The Cassels Private Equity Outlook is brought to you by the Private Equity Group at Cassels and is edited by Jake Bullen, Ilan Farber, Alexandra Nesterova and Lizzie (Xinyue) Chen. We're here to help.

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.