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# On Target

2026 Private Equity Outlook



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**Authors:**

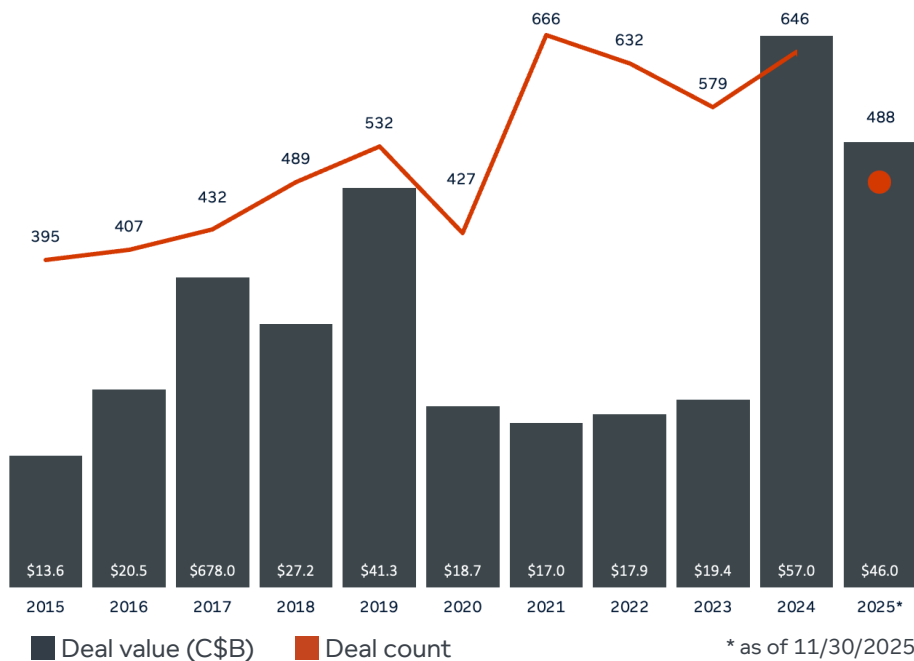
Robert Anton, Jamie Becker, Jamie Birker, Chanelle Bristol, Kim Brown, Matthew Cumming, Rojin Esmaeili, Heidi Gordon, Martha Harrison, Aathmika Kularatnam, James Lin, Vivian Ng, Haiya Peng, Alykhan Rahim, Debbie Salzberger, Gajan Sathananthan, Michael Shahinian, Patrick M. Shea, Rebecca Summers, and Matt Vaughan.

# 2025 in Numbers — Canadian Private Equity Overview<sup>1</sup>

## CANADIAN PRIVATE EQUITY ACTIVITY REMAINS RESILIENT AMID SHIFTING CONDITIONS

The year-over-year trend in Canadian private equity activity shows a market that has recovered meaningfully from early-pandemic-era lows and remained resilient through ongoing geopolitical and economic uncertainty. Deal value rose steadily from 2015 through 2019 before contracting in 2020, while deal count followed a similar trajectory and rebounded sharply in 2021, reaching its highest level of the past decade.

### Canadian PE Deal Flow by Year



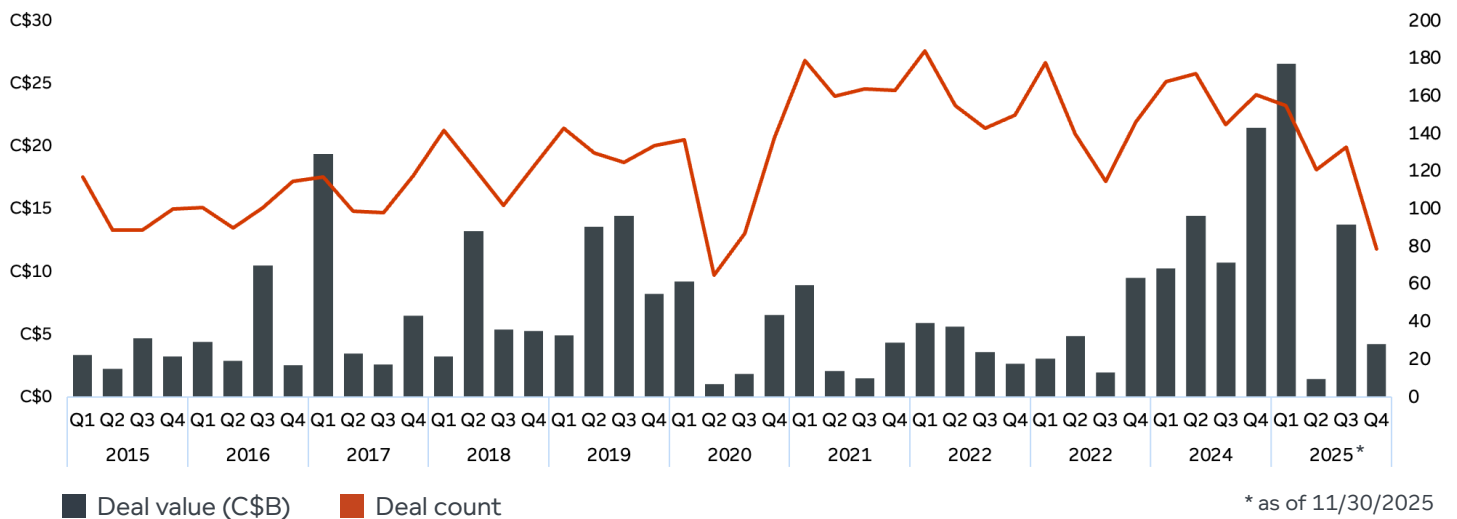
This chart compares deal value and deal count between 2015 and November 30, 2025.

Deal count remained elevated through 2022 and 2023, underscoring sustained sponsor appetite, even as deal value remained soft during those two years. The market regained momentum in 2024, which recorded one of the highest annual deal values of the past decade. As of November 30, 2025, annual deal value stands at C\$46.0 billion, positioning 2025 to finish broadly in line with 2024's strong performance and toward the upper end of the ten-year range for annual deal value. Deal count also appears likely to approximate 2024 levels, reflecting continued resilience in Canadian private equity activity.

<sup>1</sup> Sources for all graphics: PitchBook Data, Inc. | McCarthy Tétrault analysis.



## Canadian PE Deal Flow by Quarter



\* as of 11/30/2025

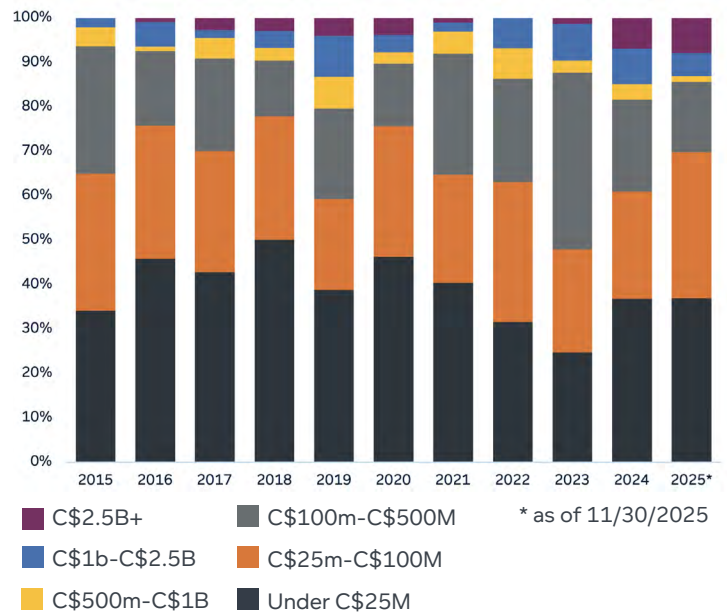
This chart compares deal value and deal count by quarter from 2015 to November 30, 2025.

Quarterly activity in 2025 reflects a market adapting to shifting economic conditions while maintaining meaningful momentum. Q1 2025 opened the year with exceptional strength, generating C\$26.6 billion in deal value, almost 25% above Q4 2024. This performance was supported by two large transactions: the C\$10.2 billion take-private of Innergex Renewable Energy by La Caisse and the C\$8 billion sale of GFL Environmental’s environmental services unit to Apollo and BC Partners. Transaction volume also remained broadly consistent, with 155 deals in Q1 2025, compared with 161 in Q4 2024.

Activity slowed in Q2 2025, with deal value falling to C\$1.5 billion and deal count declining to 121 transactions. Momentum returned in Q3 2025, which recorded 133 transactions and C\$13.8 billion in deal value, reflecting a partial rebound in market activity after a subdued second quarter.

Q4 2025 is progressing toward a moderate close, with 79 transactions and C\$4.23 billion in deal value reported as of November 30, 2025. Looking at the year to date, the first three quarters of 2025 produced an aggregate deal value of C\$41.8 billion, which represents an increase of almost 18%, compared with the C\$35.5 billion recorded in the first three quarters of 2024. This increase occurred despite a lower year-to-date deal count, with 409 transactions in 2025, compared with 485 in the same period of 2024, highlighting the continued influence of large-cap transactions on overall market activity.

## Canadian PE Deal Count by Size



\* as of 11/30/2025

This chart presents deal activity by deal size between 2015 and November 30, 2025.

As of November 30, 2025, there had already been six private equity deals valued at over C\$2.5 billion, nearly matching the total number of such transactions recorded in all of 2024. Activity in the mid-market has been more mixed. The number of transactions in the C\$1 billion to C\$2.5 billion range was lower than in 2024, with four such deals recorded, compared with seven in the prior year. Activity also decreased in the C\$500 million to C\$1 billion range, with two such transactions, compared with three in 2024.

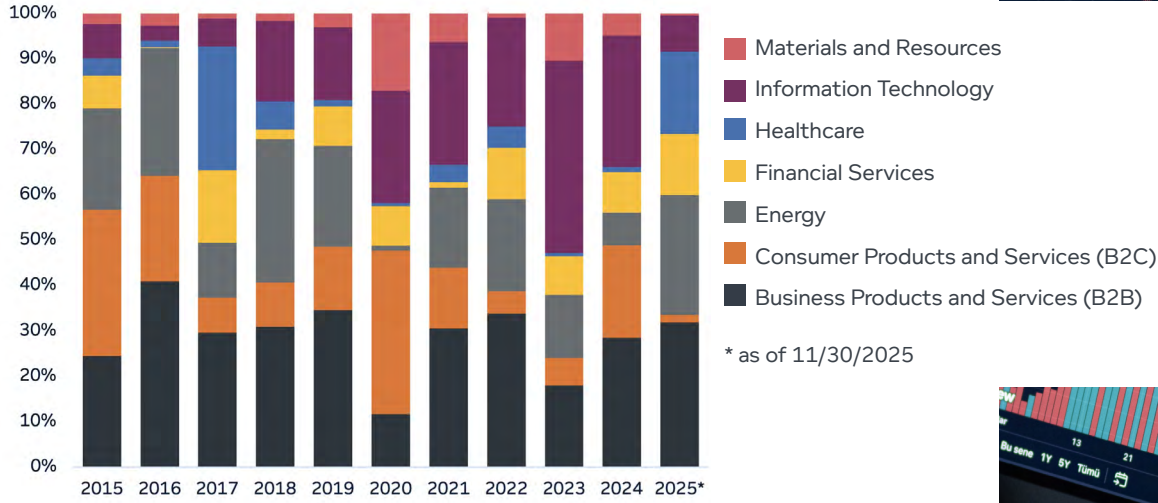
The C\$100 million to C\$500 million segment also saw a decline, with 12 such transactions, compared with

18 in 2024. At the smaller end of the market, the number of private equity transactions valued under C\$25 million fell slightly to 28, compared with 32 in 2024.

Taken together, the data indicate that the high end of the market remained active in 2025, while mid-market and smaller transactions moderated compared with the prior year.

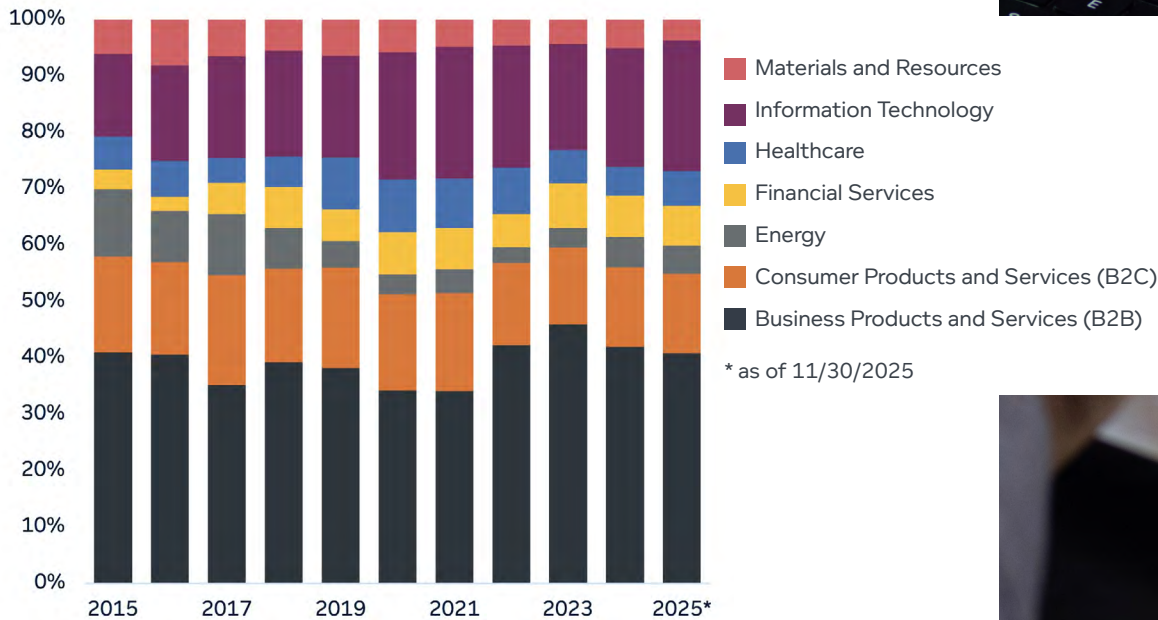
### Canadian PE Deals by Sector

#### Canadian PE Deals (CAD\$B) by Sector



This chart depicts deal value by sector between 2015 and November 30, 2025.

#### Canadian PE deals (#) by Sector



This chart depicts deal count by sector between 2015 and November 30, 2025.



The business products and services (B2B) sector led Canadian private equity activity in 2025, with aggregate deal value reaching C\$14.7 billion as of November 30, 2025, compared with C\$16.2 billion in 2024. This occurred despite a decrease in the number of B2B transactions, with 199 deals recorded through November 30, 2025, compared with 271 transactions in 2024. B2B remained the most active sector by deal count, and the increase in deal value was influenced by several large transactions, including the C\$8 billion sale by GFL Environmental of its environmental services unit and the C\$4.25 billion recapitalization of Green Infrastructure Partners.

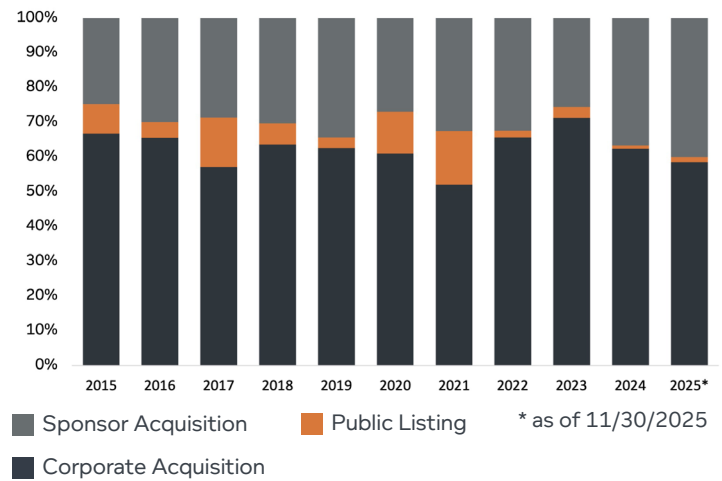
Energy was the second-largest sector by Canadian deal value in 2025 at C\$12.2 billion, with the healthcare sector following at C\$8.36 billion.

### Canadian PE-Backed Exits

Canadian private equity exits declined considerably in 2025, with 65 transactions recorded as of November 30, compared with 117 in 2024. This continues the downward trend in exit volume that has been evident since 2022.

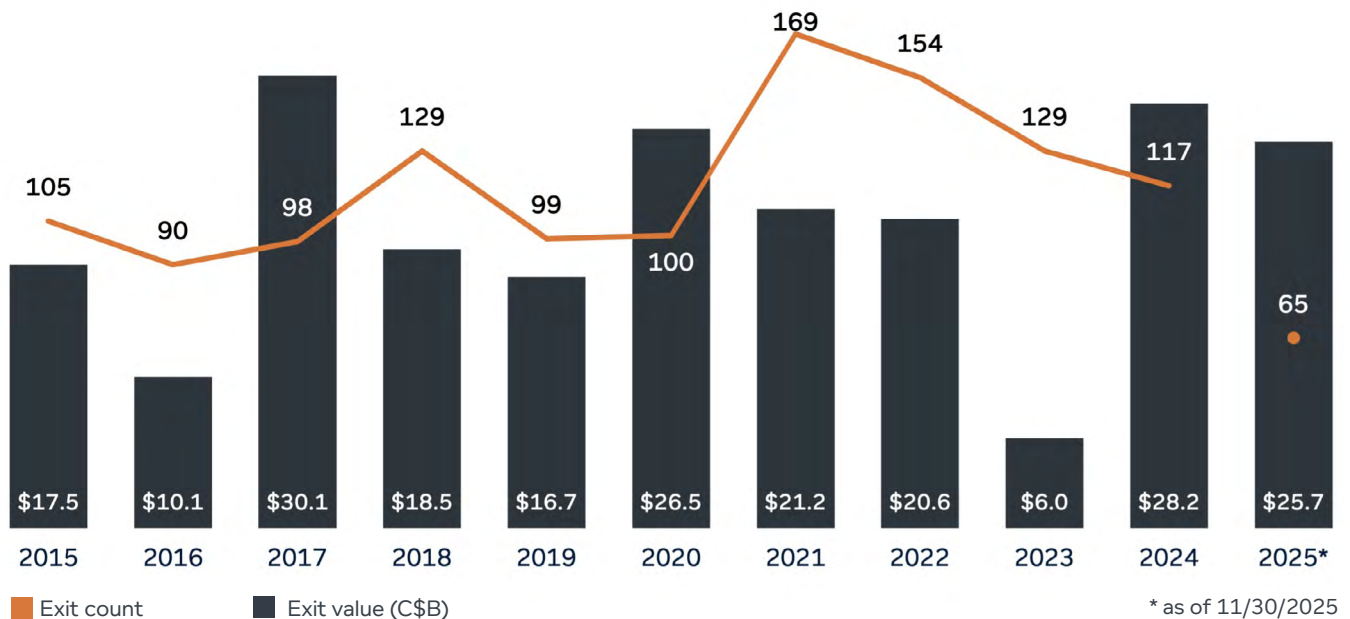
Notwithstanding the reduction in deal count, Canadian PE-backed exits in 2025 represented a total exit value of C\$25.7 billion over the same period, compared with C\$28.2 billion in 2024. This indicates that although fewer exits occurred, the transactions that did take place tended to be larger in scale.

### Canadian PE Exit Count by Type



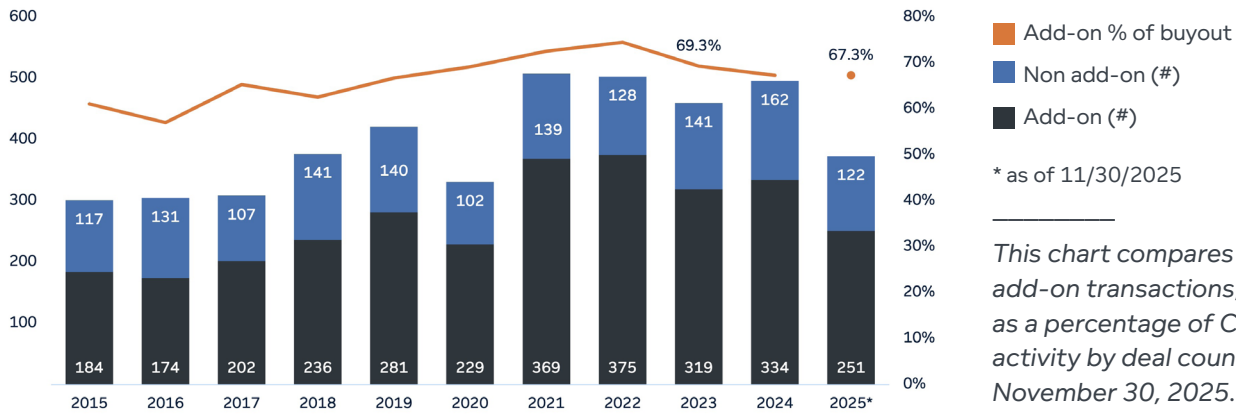
This chart compares PE exit count by type between 2015 and November 30, 2025.

As with deal activity overall, the business products and services (B2B) sector saw the greatest volume of private equity exit transactions, with 26 exits as of November 30, 2025. Sales to corporate acquirers or other sponsors continued to represent almost all transactions, reflecting the sustained preference for strategic and secondary sales in a subdued IPO environment. Only one PE-backed exit by IPO was reported in 2025, as IPO activity in Canada remained limited.



This chart compares PE-Backed exits between 2015 and November 30, 2025

## Canadian Add-Ons



■ Add-on % of buyout  
■ Non add-on (#)  
■ Add-on (#)

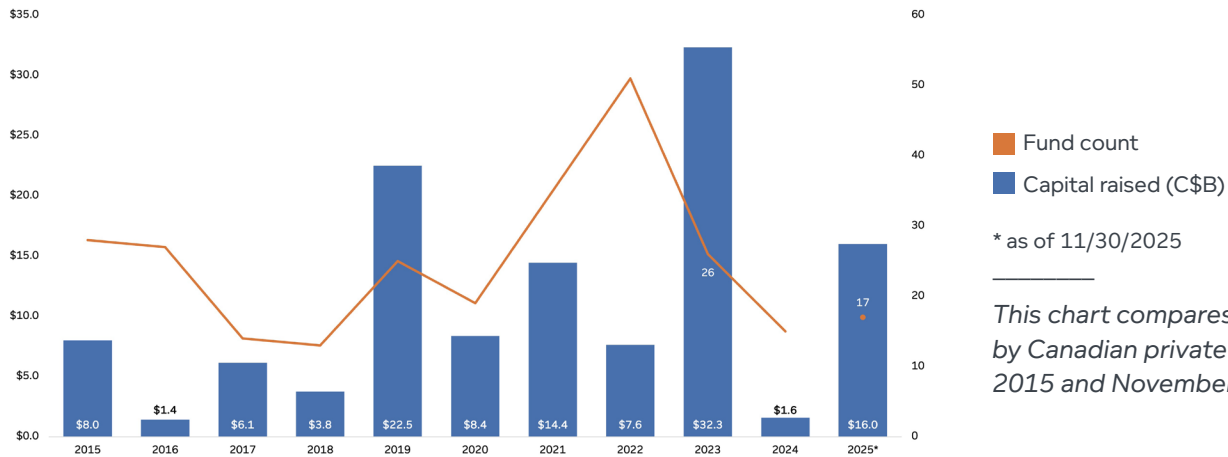
\* as of 11/30/2025

*This chart compares add-on and non-add-on transactions, including add-ons as a percentage of Canadian buyout activity by deal count, between 2015 and November 30, 2025.*

As in 2024 and 2023, add-on transactions comprised the greatest share of private equity activity in Canada in 2025. As of November 30, 2025, add-ons represented 67.3% of buyout deals, reflecting the continued focus by private equity firms on enhancing existing platforms. Firms launched fewer new platforms in 2025 and continued to prioritize follow-on investments.

Add-ons, however, accounted for only 9.1% of Canadian buyout activity by value in the same period, at C\$3.4 billion. This indicates that although add-ons remain central to sponsor strategy, the dollar value of Canadian buyouts continues to be driven primarily by larger standalone transactions.

## Fundraising by Canadian PE Firms



■ Fund count  
■ Capital raised (C\$B)

\* as of 11/30/2025

*This chart compares total capital raised by Canadian private equity firms between 2015 and November 30, 2025.*

After an impressive rebound in private equity fundraising in 2023, when 26 funds raised C\$32.3 billion, 2024 experienced a significant pullback. Only C\$1.6 billion was raised by 15 funds in 2024, representing a 95% year-over-year decline and the lowest aggregate amount of capital raised since 2016. Much of this slowdown reflected the continued difficulty many managers faced in securing commitments from limited partners in a constrained liquidity environment.

The first 11 months of 2025, however, showed signs of recovery. Seventeen funds raised a total of C\$16 billion as of November 30, 2025, indicating renewed fundraising momentum and a more constructive backdrop for Canadian sponsors.

## CONCLUSION

At the time of publication, reported deal data suggest that Canadian private equity activity in 2025 was shaped by strong deal values in the first quarter, a softer second quarter and a clear rebound in activity during the third quarter. Early fourth quarter data through November 30, 2025 pointed to a steady close to the year. Based on the information available, transaction volumes are unlikely to meet 2024 levels once all Q4 activity is reported, while

aggregate deal value is expected to finish broadly in line with the prior year.

Taken together, the 2025 data indicate a market that continued to demonstrate resilience, supported by several large-cap transactions, sustained sponsor appetite for add-ons, and early signs of renewed momentum in fundraising.





## Digital Infrastructure Investment in Canada

The digital infrastructure sector in Canada saw significant activity and investment in 2024 and 2025, with private equity investors driving a number of major M&A and greenfield transactions in data centres, fibre and wireless infrastructure, communications towers, and other digital assets. Global activity in the digital infrastructure sector is rapidly expanding with significant increases in demand for artificial intelligence, cloud storage, and other digital services – and Canada is no exception<sup>2</sup>.

Looking ahead to 2026 and beyond, digital infrastructure investment in Canada is expected to remain strong, supported by significant governmental support. The Government of Canada has highlighted “nation building” as a top priority and identifies digital infrastructure as a key driver of economic growth and innovation. Programs such as the Universal Broadband Fund<sup>3</sup> are supporting the expansion of high-speed internet access, including in rural and remote communities, while Prime Minister Mark Carney’s commitment to developing AI infrastructure – the “Build AI” initiative<sup>4</sup> – aims to position Canada as a global leader in digital innovation. The Canada Infrastructure Bank is also playing a critical role, providing dedicated funding for large-scale digital projects, including fibre optic networks.<sup>5</sup>

Canada’s leadership in artificial intelligence (which we highlighted in our [2025 Private Equity Outlook](#)) is further accelerating digital infrastructure investment in Canada, particularly in the data centre sector. Canada’s AI ecosystem, anchored by hubs in Toronto, Montréal, and Edmonton, has led to a surge in data centre projects.<sup>6</sup> Provincial governments in Canada are also supporting this trend with initiatives such as Ontario’s Energy Plan<sup>7</sup> and Alberta’s Artificial Intelligence Data Centres Strategy,<sup>8</sup>

designed to attract further investment and foster innovation in data centres and AI. The acceleration of Canada’s data centre sector is also resulting in significant expansion in energy storage and battery storage projects, which are necessary to ensure that data centres and other digital assets have access to reliable, sustainable power. The Canada Energy Regulator predicts that installed energy storage capacity in Canada may increase from 552MW at the end of 2024 to 1,149 MW in 2030, based solely on projects that are currently under construction.<sup>9</sup>

Another significant trend in 2025 has been the monetization of digital infrastructure assets by a number of major Canadian telecommunications companies, which have divested substantial stakes in non-core assets such as backhaul infrastructure and tower assets, to PE-backed investors and infrastructure funds. These transactions reflect a broader industry shift in Canada, as telecommunications providers focus on core services and balance sheet optimization.

The scale and complexity of deals in Canada have fostered a robust investment environment, with private equity investors collaborating with Canadian pension funds, global infrastructure investors, and strategics to tackle large, capital-intensive projects. Canada’s financial and regulatory framework further enhances investor appetite for digital infrastructure in Canada. With strong market fundamentals, supportive government policy, and a deep pool of sophisticated investors, Canada’s digital infrastructure sector is poised for continued growth. The convergence of digital and energy infrastructure, the rise of AI, and the ongoing build-out of broadband and wireless networks are creating opportunities for investment. As the sector evolves, Canada is well positioned to remain at the forefront of digital and energy infrastructure investment, offering scale, stability, and innovation.

2 MarketsandMarkets™, “[Cloud AI Market Size, Size, Growth & Latest Trends](#)” (Dec. 2024) and Goldman Sachs, “[AI to drive 165% increase in data center power demand by 2030](#)” (Feb.4, 2024).

3 Information, Science and Economic Development Canada (ISED), “[Universal Broadband Fund](#)” Government of Canada (2025).

4 Liberal Party of Canada, “[Canada Strong – Build](#)” Government of Canada (2025).

5 Canada Infrastructure Bank, “[Addressing Canada’s Digital Divide – CIB Broadband Investments Surpass \\$2 billion](#)” (2025).

6 Kyle Bakx, “[Data centres are hungry for power, and Alberta is pitching itself as the place to build](#)” CBC News (August 18, 2024).

7 News.Ontario.ca, “[Ontario’s energy plan unlocking opportunities in the digital economy](#)” Government of Ontario (July 2, 2025).

8 Alberta.ca, “[Artificial Intelligence Data Centres Strategy](#)” Government of Alberta (2025).

9 Canada Energy Regulator, “[Market Snapshot: Energy storage in Canada may multiply by 2030](#)” Government of Canada (July 23, 2025).

# A New Era of Defence Investment

With ongoing armed conflict, other hostility in various regions of the globe, and shifts in political sentiment and public policy related to military and defence spending, there is a renewed focus on private capital funds whose investment teams concentrate on investing directly in the defence industry and in targets that are defence-focused or within the defence domain.

There has also been increased interest in dual-use defence assets. One example is night-vision goggles, which had their primary customer base centred in civilian use but have become a key asset in ongoing warzone jurisdictions.<sup>10</sup>

Although interest and investment in defence-focused companies are not new, there has been an upward trajectory of private capital interest and investment in this industry over the past few years, with a peak of 99 deals valued at over US\$10 million in defence-focused companies in 2024 and cumulative invested capital totaling US\$6.7 billion.<sup>11</sup>

The why is fairly straightforward: geopolitical instability plus current-day warfare plus increased defence spending plus shifts in certain defence policies plus an evolving scope of what is considered “defence” equals an opportunity for profitable investment by private capital. We therefore explore the extent of this investment in 2025 and its trajectory into 2026.

## DEFENCE INVESTMENT IN 2025

Although there are no figures available as yet for the value of defence investments by private equity and venture capital for the full year of 2025, S&P Global reported that such investments (including investments in aerospace) in the first quarter of 2025 globally nearly equaled in value the US\$4.31 billion that was invested in this space for the entire year in 2024.<sup>12</sup> Here are a few noteworthy 2025 private capital investments:

1. Triumph, focused on aerospace and defence components and systems, was acquired and taken private by Warburg Pincus and Berkshire Partners in July 2025 for a total enterprise value of approximately US\$3 billion.<sup>13</sup>
2. Anduril Industries, a defence technology company that makes autonomous weapons and the software required to operate and control them, raised US\$2.5 billion in its June 2025 funding round with the Founders Fund as the lead investor.<sup>14</sup> It has been reported that this funding round was eight times oversubscribed.<sup>15</sup>
3. Epirus closed an oversubscribed US\$250 million fundraising round in March 2025 to scale production of its high-power microwave technology, which is being tested for use in defence operations that include the countering of drones and drone swarms.<sup>16</sup>

10 Joe Marsh, “[Private equity returns to the front line on defence](#)” PEI Media (October 1, 2025).

11 Michael Sion et al., “[Defence Investment at a Turning Point](#)” Bain & Company (September 2025).

12 Dylan Thomas et al., “[PE defense investment surges in early 2025 as geopolitics drives change](#)” S&P Global (March 21, 2025).

13 Triumph Group, “[Warburg Pincus and Berkshire Partners Complete Acquisition of TRIUMPH](#)” PR Newswire (July 25, 2025).

14 Utkarsh Shetti, “[Anduril secures \\$30.5 billion valuation in latest fund raise](#)” Reuters (June 5, 2025).

15 TechCrunch, “[Anduril raises \\$2.5B at \\$30.5B valuation led by Founders Fund](#)” (June 5, 2025).

16 Dylan Thomas et al., “[PE defense investment surges in early 2025 as geopolitics drives change](#)” S&P Global (March 21, 2025).



In Canada, there was a significant uptick in 2025 in defence and aerospace investment deal value<sup>17</sup> largely attributable to the acquisition of Héroux-Devtek by Platinum Equity Advisors for a total enterprise value of approximately C\$1.35 billion.<sup>18</sup> Héroux-Devtek specializes in providing landing gear for commercial aerospace and defence, including for Lockheed Martin's F-35 fighter jet. Various initiatives were launched in 2025 to foster Canadian innovation in this area, including the national defence accelerator Vimy Forge based in Atlantic Canada, which aims to scale Canadian defence technology solutions, and the defence innovation arm of Calian, Calian Ventures, which assists with testing, validating and scaling Canadian defence technologies.<sup>19</sup>

The financing of this sector by Canadian banks may also be more palpable in the near future with the Business Development Bank of Canada confirming that its Deep Tech Venture Fund has started developing dual-use technology with applications in defence, that it has a plan to launch a successor with a specific focus on defence tech, and that it is considering other means of supporting the defence technology sector, including through indirect fund investments or loans to small and medium-sized businesses that concentrate on defence contracts.<sup>20</sup> This shift in the debt markets to enable defence investment is also evident outside of Canada. A good example of this in Europe is that in June 2025, the European Investment Bank increased the cap on intermediate loans and guarantees related to defence from €1 billion to €3 billion.<sup>21</sup>

A particularly hot market in terms of defence investment in 2025 was defence technology. As of August 2025, over US\$7 billion had already been invested in venture capital in this space, which was four times the level of what was seen in 2022.<sup>22</sup> This speaks to the evolution of what is now considered "defence," which has expanded in scope to include software, artificial intelligence, autonomous technologies, cybersecurity, communications, and space. A driver behind the increase in investment in this sector has been the shift in government's role from being the innovators and funders of defence research and development to being the purchasers or subscribers of such technology.<sup>23</sup>

## THE TRAJECTORY FOR DEFENCE INVESTMENT IN 2026 AND BEYOND

Concerns around reputation, national security laws, and existing policy that still prohibits or impairs defence or defence-related investment will likely be the main hurdles to the upward trajectory of typical defence investment.<sup>24</sup> These concerns may become less relevant as the concept of this type of investment becomes normalized and evolves. In the interim, we may see more dual-asset or multi-market defence investment or interest. This will likely be more palpable for larger institutional investors or pre-existing funds with capital to deploy, which will not have to change their investment policy or focus but will still benefit from worldwide increased defence spend. Examples of multi-market defence businesses that have been referenced as potential areas of interest in the near future are aerial drones, artificial intelligence, and low-cost space sensors, which all could be marketed commercially and used in defence.<sup>25</sup> An example from 2025 that could be a precursor for what is to come in 2026 is Shield AI. This technology company that developed AI-enabled software to fly defence aircraft and has a valuation of over US\$5 billion closed a funding round in 2025 with the intention to apply the funds to expand the use of its software for use in robotics – software that was initially designated as defence use case only.<sup>26</sup>

With no indicator that defence spending or defence policies globally will shift significantly from the positions taken in 2025, it is likely that investment opportunities and capital invested in this sector will continue their positive upward curve into 2026 and beyond. In Canada, at least, we have the first positive indicator of this likelihood: the Federal Budget 2025 allocated C\$81.8 billion over the next five years to investment in the Canadian Armed Forces.

17 McCarthy Tétrault Analysis, PitchBook Data, Inc.

18 Press releases by Héroux-Devtek: "[Héroux-Devtek Enters Into Definitive Agreement to be Acquired by Platinum Equity](#)" (July 11, 2024) and "[Héroux-Devtek Announces Completion of Acquisition by Platinum Equity](#)" (February 11, 2025).

19 Josh Scott, "[CDL Defence, Vimy Forge, and Calian Ventures launch programs to boost Canadian defence tech](#)" Betakit (October 6, 2025) and Calian press release, "[Calian Launches Canada's First Defence Innovation Orchestrator to Scale Small to Mid-Sized Enterprise](#)" (September 23, 2025).

20 Josh Scott, "[Isabelle Hudon says BDC is getting ready to support Canada's defence tech sector in a more aggressive way](#)" Betakit (September 3, 2025).

21 Joe Marsh, "[Private equity returns to the front line on defence](#)" PEI Media (October 1, 2025).

22 Andrew Woodman, "[For defence tech startups, red tape is a burden – and also a moat](#)" PitchBook (August 11, 2025).

23 *Ibid.*

24 Joe Marsh, *supra* note 21.

25 Michael Sion et al., "[Rethinking Defense: The Role of Private Capital](#)" Bain & Company (December 2024).

26 Shield AI, "[Shield AI raises \\$240M at \\$5.3B valuation to scale Hivemind Enterprise, an AI-powered autonomy developer platform](#)" PR Newswire (March 6, 2025).

# Beyond the Boom: Trends and Strategies Shaping PE Secondaries in 2026

After several years of record-breaking transaction volumes and rapid innovation, the private equity secondary market has firmly established itself as a critical source of liquidity and portfolio management for both limited partners (“LPs”) and general partners (“GPs”). We explore the latest market trends, pricing dynamics, and key considerations facing sponsors, sellers, and buyers as they navigate the private equity secondaries landscape in 2026.

This section focuses primarily on trends in the LP-led secondary market; trends in the GP-led secondary market will be featured in an upcoming publication.

## MARKET OVERVIEW

As of the end of 2024, **Jefferies reported** that global secondary transaction volume hit US\$162 billion, representing a 45% increase from US\$112 billion in 2023 and exceeding the previous record of US\$132 billion in 2021. This record-setting pace continued in 2025, with US\$103 billion in transaction volume in the first half of 2025 alone.<sup>27</sup> Industry analysts expect these figures to climb further in 2026 as both LP- and GP-led deals continue to rise in popularity. The market’s growth is facilitated by a number of factors, including ongoing demand for liquidity, the maturation of large private equity portfolios, and a broadening base of both buyers and sellers.

GP-led secondary market volume in the first half of 2025 hit US\$47 billion (compared with US\$75 billion for FY 2024), of which US\$41 billion (87%) (compared with US\$63 billion and (84% for FY 2024) was from continuation vehicle (“CV”) transactions, while US\$6 billion (12%) (compared with US\$12 billion and 16% for FY 2024) came from structured equity and tender offers.<sup>28</sup>

GP-led transactions, especially CVs, are anticipated to attract higher pricing in 2026 – likely at or above par – particularly for “trophy” assets with strong performance histories.<sup>29</sup> However, pricing dispersion is likely to persist, with less attractive or more complex assets trading at wider discounts.<sup>30</sup>

In 2024 and the first half of 2025, pricing in the LP secondary market continued its upward trajectory, with average prices across all strategies reaching 89% of net asset value (“NAV”) at the end of 2024 and 90% of NAV at the end of the first half of 2025. This upward movement was driven by increased buyer optimism around near-term exit prospects, supported by record highs in public equity markets and reductions in interest rates. Strong secondary pricing also reflects the solid operational performance of private equity-backed companies and the broad appreciation in public market comparables, which has allowed buyers to underwrite deals at higher projected exit multiples.<sup>31</sup>

27 Jefferies, “[H1 2025 Global Secondary Market Review](#)” (July 2025).

28 Jefferies, “[Global Secondary Market Review – GP-Led Market](#)” (January 2025).

29 Campbell Lutyens, “[Secondary Market Overview Report 1H 2025 – Growth of Private Credit Secondaries](#)”.

30 Campbell Lutyens, “[Secondary Market Overview Full Year 2024 – GP-led transaction activity analysis](#)”.

31 Jefferies, “[Global Secondary Market Review – LP Market](#)” (January 2025).





Pricing for LP interests in 2026 is expected to remain robust, with high-quality buyout funds trading at between 90% to 95% of NAV.<sup>32</sup> This is expected to be supported by the inclusion of younger vintages and more diversified asset classes in secondary portfolios, as well as by a projected increase in M&A and IPO activity more broadly, resulting in increased competition among buyers.<sup>33</sup>

In 2025 we saw strong pricing, an increasing number of secondary buyers and continued LP desire for liquidity attract many potential sellers to the LP secondary market. We expect these trends to continue in 2026, so we have set out specific considerations for LP-led secondaries below.

## LP-LED SECONDARIES: KEY CONSIDERATIONS FOR 2026

With the ongoing expansion of the private equity secondary market, participants are encountering new layers of complexity and heightened expectations. Each stakeholder – sponsor, seller, and buyer – must address distinct issues to ensure a smooth and successful transaction. Below are some of the most important considerations for each group as they approach secondary transactions in 2026.

### Key Sponsor Considerations

We expect to see a broad array of participants in the LP secondary market in 2026. From more sophisticated participants, sponsors may see more negotiation of transfer documents, requests for side letters, and potentially more complicated tax and regulatory transferee structures. From newer participants, sponsors may see requests for more support in facilitating due diligence processes, managing timelines, and coordinating administrative matters. In either case, sponsors may end up playing a more active role in the transaction process, and need to be prepared to manage such transactions without disrupting normal course fund and portfolio company operations.

### Key Seller Considerations

Navigating a successful secondary sale requires careful planning and proactive engagement by a seller with both potential buyers and relevant sponsors. Key seller-specific considerations include the following:

- Early outreach to sponsors – First-time and seasoned sellers alike contemplating a sale should connect with the sponsor as soon as possible to advise them of the proposed transaction and to align on confidentiality matters regarding disclosing fund-related information to the potential buyers. The sponsor will often require that the seller receive signed non-disclosure agreements (“NDAs”) from the potential buyers before the seller can provide any information about the fund or the sponsor. Sellers should ensure that the sponsor is satisfied with the form of NDA proposed before they materially engage with potential buyers.
- Thorough diligence process – Sellers should diligence the interests that they are marketing, including determining early whether there are any rights of first offer (“ROFO”), consent requirements, or transfer restrictions. The more parties involved, the higher the risk of administrative bottlenecks and delays. In addition to business diligence, legal, and tax diligence should be conducted, including reviews of the underlying fund documentation and fund structures. Sellers should clarify transfer processes and address tax and legal issues with the sponsor upfront, and closely monitor any ROFO or consent processes managed by the sponsor. Diligence can be a lengthy process, so sellers are encouraged to begin as early in the transaction as possible.
- Coordination regarding withholding tax – If an interest in a fund that engages in U.S. trade or business is transferred by a non-U.S. person, under U.S. tax laws the buyer must withhold a portion of the sale proceeds, unless an exception applies.

32 Evercore, “[Secondary Market Review H1 2025 – Deep Dive: LP-Led Market](#)” (July 2025).

33 Jefferies, “[Global Secondary Market Review – GP-Led Market](#)” (January 2025).

Certain certificates can be delivered by the sponsor or the seller to avoid withholding on the proceeds. Similarly, if a non-U.S. person disposes of a U.S. real property interest, the buyer must withhold a certain portion of the amount realized on the sale unless the seller provides a certification that their interest is excepted from withholding requirements. These rules apply even if all parties to the transaction do not reside in the U.S. Parties should address these issues early in the transfer process as non-U.S. sponsors and buyers or sellers who are not active in the secondaries market may be unfamiliar with these rules and the certificates necessary to avoid withholding.

## Key Buyer Considerations

For buyers, participation in the secondary market presents its own set of challenges and complexities. Key buyer-specific considerations include the following:

- **Diligence and valuation risk** – Similar to sellers, buyers should conduct appropriate due diligence on both the underlying assets and the fund documentation to identify potential risks, such as unfunded commitments, pending litigation, LP giveback requirements, or key-person events. In a competitive market, buyers may be required to move quickly, but insufficient diligence can lead to unexpected liabilities or overpayment. Additionally, buyers should carefully assess the valuation of the interests being acquired, particularly in volatile markets or where there is limited transparency into the underlying portfolio. Understanding the basis for the fund’s NAV, recent portfolio company performance, and any material post-valuation date events is critical to avoid adverse selection and ensure that the purchase price accurately reflects the risk profile of the investment.
- **Consideration of the transferee’s attributes** – Although the buyer will be aligned with the seller in coordinating the due diligence process, the buyer is uniquely placed to understand the proposed transferee’s legal, tax, and regulatory attributes. Buyers must determine whether an entity with the transferee’s particular legal, tax, and regulatory attributes is permitted to invest in the target fund, or whether a special purpose vehicle or other structure is required to facilitate the transaction. For example, funds that are identified as “Canadian partnerships” impose Canadian residency requirements on their LPs. If a proposed transfer is of a Canadian partnership interest to a non-Canadian transferee, the buyer should consider: (i) incorporating a new Canadian vehicle to facilitate the transfer, (ii) seeking a waiver from the sponsor of the residency requirement, or (iii) requesting that the sponsor allow the Canadian partnership interest to be exchanged for an interest in the sponsor’s non-Canadian sleeve, if any. These issues are particularly acute for cross-border transactions, and failure to address them may result in unexpected tax liabilities for all parties and/or delays in closing.

## CONCLUSION

As the private equity secondary market continues its evolution into 2026, participants should expect both increased opportunity and complexity. Record transaction volumes, robust pricing, and a growing diversity of deal structures are reshaping the landscape for LP- and GP-led transactions alike. However, this growth brings heightened expectations for diligence, transparency, and alignment among all parties. Sponsors, sellers, and buyers must remain agile and proactive, adapting to new market entrants, regulatory developments, and the operational demands of increasingly sophisticated transactions.



# Canadian Take-Privates in 2025 and Looking Forward<sup>34</sup>

Private equity firms continued to contribute to activity levels in the Canadian take-private market throughout 2025.

## OVERVIEW

There were roughly 97 Canadian take-privates announced or closed from January 1 to November 30, 2025 (the “2025 deals”), representing an overall deal value of C\$89 billion. Deal value was highly consolidated, with the top ten deals representing 60% of total deal value.

PE firms were the bidders in 13% of the 2025 deals (representing 21% of overall deal value), while strategic bidders accounted for 87% (representing 79% of overall deal value).<sup>35</sup>

## CASH, MANAGEMENT ROLLOVERS, AND PREMIUMS

Of the 2025 deals involving PE firm bidders, 100% were structured as all-cash transactions and 77% included a management rollover. The average premium offered was 48% relative to the pre-announcement trading price.

In contrast, of the 2025 deals attributable to strategic bidders, deal structure varied: 42% were stock-swap transactions, 37% were all-cash transactions, and 21% contained both a stock and cash option. Management rollover structures were not a feature of these deals. The average premium offered was 40% relative to the pre-announcement trading price.

This data shows that management rollover structures are prevalent in deals driven by PE, and PE firm bidders offer on average a premium that is 8% higher than the premiums offered by strategic bidders.

## CROSS-BORDER

Of the 2025 deals, 44% by deal count, and 56% by deal value involved a bidder outside of Canada.

Of the 2025 deals involving a PE firm bidder, 62% by deal count, and 75% by deal value were cross-border transactions. Overwhelmingly, most cross-border PE-firm bidders came from the U.S., which accounted for 75% by deal count, and the remaining 25% involved bidders from before United Arab Emirates and Bermuda.

<sup>34</sup> The data points described in this section are based on our review of relevant transactions disclosed on LSEG Data & Analytics for the period from January 1, 2025 to November 30, 2025. All data points and percentages are approximate values. The data excludes two outlier transactions that offered premiums of -66% and 1,500%, respectively, relative to the pre-announcement trading price. Inclusion of these outliers would have disproportionately increased the average premium for the relevant subset of transactions.

<sup>35</sup> Two of the 2025 deals involved strategic bidders that are majority owned by a PE firm. These two deals have been included in the strategic bidder category.





In contrast, of the 2025 deals attributable to strategic bidders, 42% by deal count, and 50% by deal value were cross-border transactions. Overwhelmingly, most cross-border strategic bidders came from the U.S., which accounted for 54% by deal count. Australian strategic bidders accounted for 14% by deal count, and the remaining 32% involved bidders from various countries, including China, the United Kingdom, Bermuda, Peru, Singapore, Turkey, South Korea, Finland, and the United Arab Emirates.

## TARGET SECTORS

The most active target sector by deal count was metals and mining, while energy and power (specifically the oil and gas industry) dominated on the deal value front. Targets in the metals and mining sector accounted for 47% of deal count and 33% of deal value, targets in the technology sector accounted for 13% of deal count, and 5% of deal value and targets in the energy and power sectors accounted for 12% of deal count and 33% of deal value.

Technology companies were of overwhelming interest to PE. Of all the 2025 deals involving a PE firm bidder, 31% of these deals were in the technology sector. Relatedly, PE firm bidders had an outsized influence on the overall tech take-private market: of all the 2025 deals involving technology company targets, those with a PE firm bidder represented 40% of the overall deal count and 42% of the overall deal value. From a valuation perspective, PE firm bidders offered high premiums for tech targets, averaging 77% relative to the pre-announcement trading price. By contrast, the average premium offered by strategic bidders for technology company targets was 27%.

Another sector of interest for PE was financial services. Approximately 38% of PE take-privates involved targets in the financial services sector. Relatedly, PE firm bidders had an outsized influence on the financial services take-private market: of all the 2025 deals involving financial services targets, those with a PE firm bidder represented 45% of the overall deal count and 64% of the overall deal value.

For strategic bidders, the most active target sector was metals and mining, representing 47% by deal count and 33% by deal value.

## GETTING DEALS DONE AND TURBULENT TRANSACTIONS

The success rate of Canadian take-privates continued to be very high following announcement. Only about 2% of the deals announced failed to close, with 1% of these being unsuccessful due to a termination based on a material adverse change and 1% being terminated due to failure to obtain shareholder approval.

The vast majority of the 2025 deals continued to be friendly transactions, carried out using the court-approved plan of arrangement structure (88% of deals), as compared to alternative structures including amalgamations (9% of deals) or those structured as take-over bids (3% of deals).

Notwithstanding the high success rates, 2025 did see several transactions that encountered turbulence along the way, including the following turbulent transactions that involved PE firm bidders:

1. Converge Technology Solutions Corp. received an interloper bid but ultimately proceeded with an increased offer from HIG Capital (the PE firm which entered a deal with the target as the initial bidder), notwithstanding the second bidder offering a higher purchase price.
2. InterRent Real Estate Investment Trust was the target of an activism campaign led by Anson Funds, a Toronto- and Dallas-based hedge fund that built a 9% stake and pushed for strategic changes. Subsequently, the REIT agreed to be acquired in an all-cash transaction by a group comprising CLV Group (owned by the REIT's executive chair) and GIC (the Singapore sovereign-wealth fund).

# Corporate Venture Capital and Strategic Investments in High-Growth Tech Companies

## WHAT IS CORPORATE VENTURE CAPITAL?

Corporate venture capital (“CVC”) refers to investments by established companies into growth-stage or emerging companies. In contrast to traditional venture capital funds that manage capital from their limited partners and seek to maximize the financial returns on the investment of such capital, CVC combines strategic intent with financial return and is guided by a single corporate parent’s business strategy, which may involve investing in a company that provides strategic benefits to the corporate parent at large in addition to financial return. Strategic objectives that a corporate parent seeks to achieve through CVC may include, among other things, gaining access to new technologies, entering new markets, establishing an M&A pipeline, or fostering innovation relevant to the corporate parent’s core business.

In Canada, corporate venture capital has evolved from a niche investment strategy into a mainstream corporate growth strategy. Increasingly, large enterprises have started deploying corporate venture capital as a vital strategy to gain access to emerging technologies, rather than relying solely on internal research and development.

## THE CORPORATE VENTURE CAPITAL LANDSCAPE IN CANADA

Corporate venture capital is a growing and increasingly important part of Canada’s innovation ecosystem. Although it is estimated that only about 6% of Canadian public companies with more than C\$1 billion in annual revenue have an established corporate venture capital arm, deal participation by Canadian CVCs has nearly tripled in recent years, far outpacing growth in traditional venture capital activities.<sup>36</sup>

Although CVC investments have typically been concentrated in the financial services, technology, and media and telecom sectors, such investment strategies have started to be adopted also by Canadian companies in the oil and gas, mining and industrial sectors. This diversification reflects a broader trend: corporates now treat venture investment as a strategic lever for digital transformation and supply-chain capabilities. According to the Canadian Venture Capital & Private Equity Association, venture investment totaled C\$2.9 billion across 254 deals in H1 2025, with average round sizes rising to C\$11.4 million.<sup>37</sup>

Although CVC investing is a growing trend, growth-stage companies should view CVC as a supplement to the traditional venture capital model, rather than its replacement. As noted below, CVC investors usually participate as minority

36 Deloitte Ventures in collaboration with BDC, “[The state of corporate venture capital in Canada – Investing today to ignite tomorrow](#)” (May 2024), page 8.

37 Canadian Venture Capital and Private Equity Association, “[Canadian Venture Capital Market Overview H1 2025](#)”, pages 5–6.



investors alongside institutional venture capital investors. Going forward, CVC is expected to continue to contribute to diversification within the venture capital ecosystem.

## WHY CORPORATE VENTURE CAPITAL MATTERS NOW

Market volatility in recent years, the cost of borrowing decreasing, and companies facing valuation corrections<sup>38</sup> have encouraged private equity and venture capital investors to scrutinize deals more closely, conduct more rigorous due diligence, and generally deploy capital more selectively. This environment favours corporates that can diligence a company quickly and knowledgeably, invest directly from their balance sheets, and pursue long-term strategic objectives, rather than traditional funds that depend on quicker liquidity.

## BENEFITS AND RISKS OF CORPORATE VENTURE CAPITAL INVESTMENTS

For corporates, CVC investing delivers both strategic and financial benefits. It creates a pipeline for partnerships and future acquisitions while offering early exposure to disruptive technologies. A minority stake in a promising startup lets the corporate investor test product-market fit and evaluate collaboration before committing to a control transaction. For startups, CVC funding delivers more than capital. It provides credibility, distribution support, and mentorship that can accelerate commercialization. A CVC backer's brand validation often makes customer acquisition and future fundraising easier.

However, CVC investments carry distinct risks. Large corporates must consider compliance and reputation risks alongside return on investment. A failed investment can reflect directly on the parent's credibility – as illustrated by Safeway and Walgreen's investment and partnership with Theranos, in which the fraudulent technologies of the blood-testing startup resulted in significant financial losses and reputational damages to the corporate investors. Because CVC stakes are typically minority positions, the corporate investor often lacks control over the startup.

For startup companies, or funds or other investors in startup companies, seeking capital from CVC investors, the main hazards of receiving CVC investments mirror those advantages. Bringing a potential competitor onto

the cap table can deter other investors or acquirors and raise concerns about information leakage or intellectual property misappropriation. Startups and their investors must weigh the strategic value of corporate capital against the possibility of future conflicts or "soft landings" that benefit the strategic more than the startup.

Legal frameworks offer ways to balance these tensions. Under the Canadian venture capital model, the company's board of directors decides whether a shareholder qualifies as a competitor – a designation that can strip information and inspection rights, limit transfers, and curtail pre-emptive privileges. Clear competitor definitions and carve-outs for strategics can prevent unintended restrictions. Side letters remain the preferred tool for tailoring rights to specific corporate compliance obligations. Side letters may also include faster exit mechanisms – such as put rights triggered by regulatory or reputational events – to provide flexibility or protect brand integrity.

## VENTURE CAPITAL BASICS AND HOW CORPORATE VENTURE CAPITAL FITS

Venture-backed companies raise capital through a predictable sequence of securities issuances: founders contribute intellectual property and receive common shares, seed capital arrives via convertible notes or simple agreements for future equity (SAFEs), and subsequent priced rounds result in the issuance of convertible preferred shares with liquidation preferences and anti-dilution protections. Lead investors often receive board representation and "major investor" rights, including those with respect to financial reporting, budget access, and approval rights over key transactions. Major-investor status depends on ownership thresholds that vary by round and can fall away if investors are diluted below the negotiated percentage.

Within this framework, CVC investors usually participate as minority holders in priced equity rounds alongside institutional venture capital investors. CVC investors typically negotiate bespoke side letters to address information flows and their internal compliance needs of the CVC investor without disrupting the broader shareholder governance framework.

CVC investments also take other forms. For example, a corporate may spin out technology into a new entity founded by former employees, and take a large early

38 *Supra*, note 37, page 19.

stake in exchange for the promising intellectual property. Netflix's creation of Roku is an example of how a corporate can monetize non-core innovation without hampering its main business. As well, sometimes CVC investments can take the form of convertible securities, such as warrants in the company issued in connection with the corporate's commercial partnership with the company.

## EXITS FROM CORPORATE VENTURE CAPITAL INVESTMENTS

Exit pathways for CVC-backed companies generally mirror those of the broader venture market, but carry unique strategic dynamics. If the company undertakes a process, other bidders that may be competitors of the CVC investor may be dissuaded if they feel the CVC investor can block a transaction. This could potentially hinder return for other investors, including fund investors in the company. Alternatively, if the CVC investor is not interested in the acquisition, other bidders may be concerned that the company is flawed. Nevertheless, a common outcome is a strategic acquisition by the corporate investor itself, reflecting the CVC's dual interests in financial return and business integration. Processes where that is not going to happen need to be handled carefully and considerately.

Although initial public offerings are desirable exit for outcome for growth companies, corporates may prefer control or collaboration over the loss of influence that comes with an IPO, again potentially putting the CVC investor in conflict with fund investors. Finally, in more distressed situations, corporates may leverage their insight

and proximity to acquire assets or teams from insolvency processes – a more unfortunate form of “soft landing” that preserves valuable intellectual property even when equity value has been lost.

## LOOKING AHEAD TO 2026

CVC is expected to gain further traction in Canada as Canadian corporates formalize their programs and governance and to keep their M&A pipeline as more companies stay private longer. Future transactions are likely to feature sharper competitor definitions and explicit board-discretion standards. Side letters will be used to refine information rights and compliance clauses for public company and other strategic investors. As strategics and traditional fund and venture capital investors continue to pursue different exit timelines, expect to see new contractual tools – drag-along waivers and explicit exit alignment clauses – to manage potential misalignment.

Corporate venture capital now sits at the intersection of innovation, finance, and strategy. It allows established companies to stay agile in the face of technological disruption and gives startups credibility and market reach they could not achieve alone. For Canada, the continued growth of corporate venture capital represents an opportunity to build a stronger innovation economy and a more resilient venture capital ecosystem. Canadian corporates that invest thoughtfully – balancing strategy, governance and risk – will be the ones that help define the next generation of Canadian technology leaders in innovative companies.



# Canada-U.S. Trade

## BUILDING RESILIENCE TO PERSISTENT DISRUPTION FROM U.S. TARIFFS

Canadian businesses have faced persistent disruption from U.S. tariffs, particularly those imposed unilaterally under Section 232 of the U.S. Trade Expansion Act (“Section 232”) and the International Emergency Economic Powers Act (“IEEPA”). These measures have targeted key sectors, including automotive, steel, and aluminum, and have been accompanied by Canadian retaliatory surtaxes and tariff rate quotas (“TRQs”).

### Steel, Aluminum, Automotive, and Manufacturing Sectors Hit Particularly Hard

Facing tariffs of up to 25%, the automotive sector – one of North America’s most deeply integrated industries<sup>39</sup> – is particularly vulnerable to U.S. trade measures. Parts and supplies often cross the border more than once in the assembly of an automotive vehicle and can be subject to U.S. tariffs multiple times because of this. The steel and aluminum sectors are also heavily exposed, with imports now subject to a 50% tariff. In August 2025, the U.S. significantly expanded its tariff regime to include 407 additional product codes. These cover not only raw materials but also downstream goods such as dairy products, perfumes, cosmetics, furniture, and household items containing steel or aluminum components. Importers are now required to isolate and assign value to the steel or aluminum content within these products, adding considerable complexity to compliance and customs processing.<sup>40</sup> Finally, the U.S.’s broad IEEPA tariffs, targeting all Canadian goods with a 35% tariff (subject to the exemptions described below), continue to have a broad impact on the Canadian economy.

Canadian retaliatory measures also impact businesses in these sectors. Although Canada repealed many of its retaliatory measures on September 1, 2025,<sup>41</sup> steel and aluminum tariffs continue to affect key Canadian industries, and tariffs remain on fully assembled automotive vehicles of U.S. origin entering Canada.

Additionally, Canada has imposed global tariffs on steel products and certain products made with steel. This includes the imposition of TRQs on steel being imported from all countries outside of the United States and Mexico that could have a significant impact on Canadian manufacturers. TRQs allow a set volume of steel imports to enter Canada duty-free or at a reduced rate. Once that limit is reached, a surtax applies to the volume of steel product imports that exceed the quota limit. Further, a 25% duty is being implemented on certain products that are composed of steel, like doors, windows, fasteners etc. and imported from any country except the United States and Mexico. These measures are a response to the surge in diversionary steel shipments triggered by the U.S. tariffs, which have increased the threat of excess global supply being redirected into the Canadian market. Although the goal is to protect Canada’s steel industry from being flooded by low-cost imports, the result is that Canadian

39 John Boscaroli, as quoted in Kevin Jiang, [“Potash, oil and more: The U.S. needs these Canadian resources. How Trump’s tariffs are threatening American industries”](#) *Toronto Star* (March 5, 2025).

40 John Boscaroli et al., [“Tariffs Up, Tariffs Down: What Businesses Need to Know”](#) *McCarthy.ca* (September 5, 2025).

41 *Ibid.*



importers of steel from almost any country will face some costs or administrative hurdles to their supply chain.<sup>42</sup>

We note that there are number of other goods and sectors subject to tariffs, or investigations that could lead to the imposition of tariffs, under Section 232, including timber, semiconductors, pharmaceuticals, trucks, robotics and personal protective equipment, and this list changes regularly as new investigations are launched.

Private equity investors with exposure to these sectors and others that may be subject to tariffs should closely monitor tariff developments, because they may materially affect portfolio company margins, valuation and cross-border transaction structures.

### Small and Medium-Sized Enterprises and E-Commerce Businesses

Small and medium-sized enterprises (“SMEs”) make up more than 40% of trade to the U.S. by export value.<sup>43</sup> SMEs are impacted by the repeal of the *de minimis* exemption, which previously allowed shipments under US\$800 to enter the U.S. duty-free, but has now been eliminated. This change disproportionately affects cross-border e-commerce and retail supply chains, particularly for direct-to-consumer businesses. These businesses now face tariffs on low-value shipments and must navigate new customs valuation requirements.<sup>44</sup>

PE firms investing in e-commerce or SME-heavy sectors such as retail and consumer goods should assess tariff exposure as part of their due diligence and post-acquisition planning.

### Navigating Tariffs and Strategic Options

The most significant form of relief from U.S. tariffs currently available to Canadian exporters to the U.S. is preferential treatment under the Canada-United States-Mexico Agreement (“CUSMA”). A significant majority of Canada-U.S. trade remains tariff-free and exempt from the application of the broad IEEPA tariffs on goods that can be considered “CUSMA-originating.” However, goods must meet strict rules of origin, which may include requirements around substantial transformation and regional value content thresholds. Failure to comply can result in full tariffs being applied, and false origin declarations can result in significant liabilities.<sup>45</sup> Further, this exemption does not apply to the tariffs imposed by the U.S. under Section 232.

To reduce exposure to tariffs, businesses should conduct supply chain assessments to identify vulnerabilities, monitor goods subject to specific measures, and ensure compliance with CUSMA’s rules of origin to qualify for preferential treatment where available. Accurate customs documentation and classification are essential to avoid penalties. Companies may also renegotiate contracts to clarify cost allocation, restructure operations to minimize tariff impact, and diversify export markets through agreements like the Canada-European Union Comprehensive Economic and Trade Agreement (“CETA”) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”). Private equity sponsors should incorporate tariff risk into their portfolio company strategy, including operational restructuring, contract renegotiation and market diversification. Trade compliance should be especially considered for export-driven businesses.

42 John Boscaroli et al., “[Canadian Ironman: Carney Imposes New Steel \(and Lumber\) Trade Measures](#)” McCarthy.ca (December 3, 2025).

43 Statistics Canada, “[Canada and the World Statistics Hub – United States](#)” (Ottawa: StatsCan, 2025).

44 Boscaroli, *supra* note 40.

45 Randy Schwartz, Martha Harrison et al., “[Ten actions Canadian businesses can take to navigate tariff turbulence](#)” (August 30, 2025).



# Heightened Scrutiny of Minority Investments

In line with a more robust enforcement posture generally, over the last several months, the Canadian Competition Bureau (the “Bureau”) has intensified its scrutiny of private equity funds by routinely inquiring about minority investments, including any representing 10% or greater direct or indirect ownership in a fund and downstream investments of a fund. This regulatory focus aligns with a broader academic debate that emerged several years ago, in which antitrust scholars – more notably in the U.S. – raised concerns about institutional investors holding minority stakes in multiple firms within the same sector, arguing that such common ownership could reduce competitive incentives and harm market outcomes.

The Canada Venture Capital & Private Equity Association reports that private equity minority investment in Canada in 2024 totalled C\$2.8 billion over 164 deals, accounting for over 10% of total private equity dollars invested and nearly 25% of all transactions.<sup>46</sup> Given the substantial volume of minority private equity activity, it is imperative that private equity firms operating in Canada are well versed in the *Competition Act* (Canada) and *Investment Canada Act* (“ICA”) frameworks.

## HOW MERGER REVIEW IN CANADA APPLIES TO MINORITY INVESTORS

### The *Competition Act*

Like its U.S. agency counterparts, the Bureau has jurisdiction to review and challenge any “merger” – regardless of whether it is subject to notification. Merger is broadly defined as the acquisition or establishment, direct or indirect, by one or more persons, whether by purchase or lease, of shares or assets, by amalgamation or by combination or otherwise, of control over or significant interest in, the whole or a part of a business.

A transaction that exceeds the size-of-transaction threshold (C\$93 million in 2025) and size-of-parties threshold (C\$400 million) and size-of-equity threshold (20% of voting shares of a public company or 35% of voting shares of a private company<sup>47</sup>) is subject to a pre-merger notification and clearance requirement.

A transaction that does not exceed the applicable thresholds may still be reviewed by the Bureau if the transaction is likely to substantially prevent or lessen competition in the relevant market. Where the transaction results in a combined market share in excess of 30% in any relevant market, it is presumed to be anti-competitive unless the merging parties can prove otherwise on a balance of probabilities.

46 CVCA Intelligence, “[Canadian Private Equity Market Overview \(2024\): Private Equity Heat Map](#)” pages 16 and 17.

47 The threshold is more than 50% of voting shares if the acquirer already owns more than 20%/35% of voting shares or has rights to more than 50% of the assets or profits of the entity on dissolution.





The Bureau may scrutinize minority investments through two avenues. First, it may assess the implications of minority interest holdings in the course of its review of a notifiable acquisition. Second, it may deem a minority investment to confer the required level of influence to constitute a merger.

The first scenario arises because the Bureau routinely seeks information about any existing 10% or greater investment of an acquirer or its affiliates in competing or vertically related businesses. More specifically, for private equity firms, the Bureau's analysis considers (i) all businesses in which a private equity firm holds a 10% or greater interest and (ii) all 10% or greater interests held by upstream investors with a 10% or greater interest in the acquiring private equity firm or fund. The Bureau's substantive review does not generally acknowledge (at least, at first instance) any distinction between different funds within the same private equity firm. Where the Bureau identifies such competing investments, the minority investments have implications for the Bureau's substantive review of the notifiable transaction.

The Bureau does not currently provide guidelines on its assessment of minority interest holdings during its review of a notifiable acquisition. However, the Bureau is reviewing and updating its Merger Enforcement Guidelines and contemplating additional guidance on minority interests.

In the second scenario, the Bureau reviews minority interest investments as if they were a full merger between the acquirer and the target company. When the Bureau concludes that a full merger would not likely prevent

or lessen competition substantially, a more detailed analysis of the minority interest is not generally required. When, based on its preliminary examination, the Bureau determines that a full merger would raise possible competition concerns, it examines the specific nature and impact of the minority investment and conducts a detailed examination of the likely competitive effects arising from the minority shareholding.

The factors that are relevant to the Bureau's analysis of whether a minority interest transaction confers material influence include, among other things, the voting rights attached to the acquirer's shareholdings or interest in a combination, the holders and distribution of the remaining shares or interests, any services (management, advisory or other) the acquirer may be providing to the business, any access the acquirer may have to confidential information about the business and the practical extent to which the acquirer can otherwise impose pressure on the business' decision-making processes.

### **The Investment Canada Act**

The ICA includes two regimes: a socio-economic and a national security regime. Minority investments may be reviewed under either regime, and, in certain circumstances, are subject to a post-closing notice or a pre-closing suspensory review and approval requirement.

Under the socio-economic (or "net benefit to Canada") regime, every acquisition of control of a Canadian business or establishment of a new Canadian business by a non-Canadian is subject to a notification requirement or a review. Control is acquired when a non-Canadian acquires

more than 50% of the voting shares of a corporation or more than a 50% interest in the profits and assets on dissolution of a non-corporate entity. Acquiring between one-third and 50% of a corporation's voting shares is presumed to constitute acquiring control unless the investor can rebut that presumption. Most of the investments covered by the ICA are subject only to a simple notice requirement. The direct acquisition of control of a Canadian business by a non-Canadian is subject to a pre-closing filing and approval requirement when a specified financial threshold is exceeded.

Under the national security regime, any investment in, or acquisition of, assets of a Canadian entity (including minority investment), or the establishment of a Canadian entity by a non-Canadian, can be subject to a national security review.

Recent amendments to the ICA, which are not yet in force, will require foreign investors from all jurisdictions to file pre-closing notifications for investments of any size in prescribed sensitive sectors. The Government of Canada will likely release guidelines on this filing requirement in late 2025 or early 2026.

## KEY CONSIDERATIONS FOR MINORITY PRIVATE EQUITY INVESTORS

- Consider minority interests in competing businesses when assessing competition risks – Private equity investors must evaluate not only their interest in the target but also any minority or majority interests in third-party competitors held by any of their funds or

significant shareholders. The Bureau may scrutinize these relationships to determine whether they could lead to reduced competition, information sharing, or strategic alignment between competitors.

- Minority interest investments may be reviewed by the Bureau – The Bureau may determine that a minority interest investment confers the requisite level of influence to constitute a merger if the acquirer can impose pressure on the business's decision-making processes, such as through special voting or veto rights.
- Prepare for extensive information requests from the Bureau – Entities with overlapping minority interests may be requested to provide further information, including customer and supplier data. Answering these questions can be a challenge for a minority investor with no role in the day-to-day operation of the business. Moreover, the majority shareholder may not wish to provide such confidential information. However, delays in responding to the Bureau's questions may impact clearance timelines.
- File mandatory ICA notifications – A non-Canadian which acquires control of a Canadian business must, at minimum, file a notification. Acquiring between one-third and 50% of a corporation's voting shares is generally presumed to be an acquisition of control, unless the investor successfully rebuts that presumption. Further, new filing requirements are expected for investments of any size in prescribed sensitive sectors. Private equity firms that fail to notify and, if applicable, obtain approval for an investment may face significant financial penalties.



# Canadian Tax Developments Relevant to Private Equity Investors

Canadian tax and regulatory developments in 2025 will affect fund structures, reporting obligations and portfolio company investments. Recent federal proposals – including enhanced trust reporting, the new Voluntary Disclosures Program (“VDP”), changes to Canada’s clean economy tax credit regime, and upcoming crypto-asset reporting obligations – present both compliance challenges and strategic opportunities for private equity fund managers and investors.

## ENHANCED TRUST REPORTING

Under Canada’s enhanced trust reporting rules, all trusts – including bare trusts seen in PE structures – are required to file a T3 return and provide beneficial ownership information. The Canada Revenue Agency (“CRA”) previously granted general administrative relief from bare trust reporting for the 2023 and 2024 taxation years.

In November 2025, the Department of Finance tabled Bill C-15 to implement certain provisions of the Canadian Government’s Budget 2025 (Bill C-15), which would amend the reporting rules for bare trust arrangements. If enacted, the current bare trust reporting rules will be replaced with new rules that deem certain express trusts – that would not otherwise be treated as trusts for Canadian income tax purposes – to be “trusts” for reporting purposes where:

- one or more persons have legal ownership of property held for the use of (or benefit of) one or more persons or partnerships and is considered a trustee of a trust; and
- the legal owner can reasonably be considered to act as agent for such persons or partnerships and each such person or partnership is considered a beneficiary of the trust.

The proposed legislation introduces exceptions relevant to PE structures, including situations where:

- All beneficiaries are also legal owners of the trust property.
- The property is held throughout the year solely for the use or benefit of a partnership, all legal owners are partners in the partnership, and a member of the partnership is required (unless waived by the Canadian Minister of National Revenue) to file an information return for the fiscal period including December 31 of the relevant taxation year.
- Canadian resource property is held for the use or benefit of publicly listed companies (or their subsidiaries/partnerships).

Bill C-15 proposes to repeal the current bare trust reporting rules for taxation years ending after December 30, 2024 and before December 31, 2025 and for the new bare trust reporting rules to apply to taxation years ending on or after December 31, 2026.



Given the prevalence of bare trust and agency arrangements across PE platforms – especially in real estate, infrastructure and resource investments – fund managers should continue to monitor the status of the trust reporting rules and reassess existing structures well in advance of the inaugural reporting cycle.

## CRA'S NEW VOLUNTARY DISCLOSURES PROGRAM ("VDP")

On September 10, 2025, the CRA released significant updates to the VDP (effective October 1, 2025), expanding access and introducing more flexible relief for errors or omissions relating to Canadian income tax, GST/HST and Canada's version of the Organization for Economic Co-operation and Development Pillar Two measures, contained in the *Global Minimum Tax Act* (Canada), among others.

The new VDP introduces a new two-track system, in which applications for relief fall into one of the following categories:

- unprompted disclosures, where the taxpayer has not been contacted about a specific compliance issue or has only received general educational correspondence; or
- prompted disclosures, where the taxpayer receives notice from the CRA that identifies a specific error or omission or has received third-party information indicating non-compliance by the taxpayer.

Relief under the new VDP is expanded: unprompted disclosures may be granted 100% penalty and 75% interest relief, and prompted disclosures may be granted up to 100% penalty relief and 25% interest relief. Consistent with the old program, no gross negligence penalties are imposed and no referral for criminal prosecution is made for the issue(s) disclosed.

Notably, unlike the previous regime, large corporate taxpayers and repeat applicants may now qualify for program benefits.

## Relevance for PE Funds

PE fund managers and portfolio companies may uncover historical tax issues during pre-acquisition diligence or post-closing integration. The improved accessibility and enhanced penalty and interest relief under the new VDP offer a potential pathway to resolving legacy tax compliance issues.

The CRA's revised policies are available in the information circular [IC00-1R7 – Voluntary Disclosures Program](#) and the memorandum [16-5-1 – Voluntary Disclosures Program \(Applications Received On or After October 1, 2025\)](#).

## CLEAN ECONOMY TAX CREDITS: NEW INCENTIVES FOR CANADIAN PORTFOLIO INVESTMENTS

Bill C-15 was tabled following publication of the Canadian federal government's *Budget 2025* in November 2025, which reaffirmed the federal government's commitment to build Canada's clean economy and create an investment environment that positions Canadian businesses to compete and succeed on a global scale. Bill C-15 introduces significant refinements to various investment tax credits ("ITCs"), providing potential incentives for investors targeting infrastructure, clean energy, manufacturing, mining and industrial technology assets.

The key clean economy ITCs include:

- Carbon Capture, Utilization and Storage
- Clean Technology ("CT ITC")
- Clean Hydrogen ("CH ITC")
- Clean Technology Manufacturing ("CTM ITC")
- Clean Electricity Investment Tax Credit ("CE ITC")

*Budget 2025* confirmed the federal government's commitment to follow through on outstanding proposals to expand eligibility for the CT ITC, CTM ITC, and CH ITC, including:

- providing the CT ITC for eligible property acquired for use in certain waste-biomass electricity-generation projects that is acquired and becomes available for use on or after November 21, 2023;
- expanding eligibility for the CT ITC for property used in small nuclear-energy projects;
- expanding the CTM ITC for eligible property acquired for use in polymetallic-mining activities that is acquired and becomes available for use on or after January 1, 2024;
- providing the CH ITC for eligible property acquired for use in methane-pyrolysis projects that is acquired and becomes available for use on or after December 16, 2024; and

- expanding the CTM ITC to include additional critical minerals – antimony, indium, gallium, germanium and scandium – supporting investments in extraction, processing, and recycling of co-product and by-product critical minerals.

Legislation implementing many of the above-mentioned proposals was included in Bill C-15.

Also included in Bill C-15 is implementation legislation for the CE ITC. The CE ITC is a 15%-refundable tax credit applicable to investments in eligible property that is acquired and becomes available for use on or after April 16, 2024 as part of a clean-electricity project that commenced construction on or after March 28, 2023.

For investors in energy transition and critical minerals, these changes may meaningfully broaden the scope of eligible capital projects.

## CRYPTOCURRENCY REPORTING FRAMEWORK: IMPLICATIONS FOR FUND MANAGERS

*Budget 2025* confirmed that the government intends to proceed with the crypto-asset reporting framework and enhanced *Guidance on the Common Reporting Standard* rules, with application deferred to January 1, 2027.

For PE funds with exposure to digital-asset platforms,

fintech-portfolio companies, or tokenized financial products, this framework will introduce new due diligence and reporting considerations.

### Key Takeaways for Private Equity:

- Fund structures involving nominee or bare trust arrangements should be reviewed for upcoming compliance with enhanced trust reporting rules.
- The new VDP provides improved opportunities for buyers to remediate historical tax non-compliance discovered during diligence, reducing exposure for both funds and portfolio companies.
- Clean economy incentives create substantial benefits for investment in critical minerals, industrial decarbonization, clean technology manufacturing, and grid modernization.
- The forthcoming crypto-asset reporting framework will impose new obligations on digital-asset-intensive investments and should be factored into diligence and reporting processes.
- PE sponsors should integrate these tax developments into deal structuring, capital allocation, and post-acquisition compliance strategies for 2026 and beyond.

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All information in this article is current as of November 25, 2025, including the status of Bill C-15.



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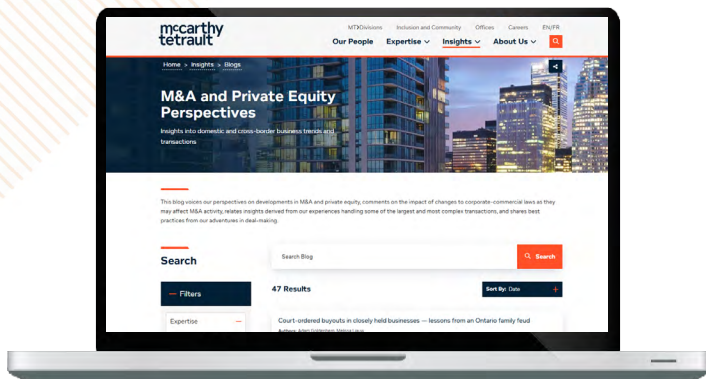


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