

Will you set the divestment pace, or try to keep up with it?

2019 Global Corporate Divestment Study

Canadian findings



The better the question. The better the answer. The better the world works.

Macroeconomic uncertainty, geopolitical instability and technological change are creating unprecedented business disruption. These dynamics, coupled with a low-growth environment, increasing shareholder pressure and changing consumer preferences, are prompting a critical decision: how best to allocate capital to gain competitive advantage. Nearly half of Canadian respondents (49%) plan to divest in the next 12 months.

The 2019 *Global Corporate Divestment Study* focuses on how companies should approach portfolio strategy, improve divestment execution and use divestments to future-proof their remaining business in these volatile times.

More Canadian companies are making strategic divestment decisions

The disciplined approach to divestment that Canadian companies began to take in 2016 following planned portfolio reviews continues to translate into fewer, opportunistic deals. A more strategic approach to capital allocation decisions remains a key priority.

44%

of Canadian companies selling assets describe their most recent divestment as opportunistic, down from 68% in 2018. And only 3% say an unsolicited approach by a buyer was the most important factor in their last divestment, down from 19% last year.

Larger deals dominate boardroom agenda

Just one year ago, no Canadian companies reported divestments over \$250m, and only 19% reported those exceeding \$100m. This dramatic shift to much larger divestments indicates Canadian companies are beginning to aggressively challenge the definition of what's "core" to their business.

46%

of Canadian companies' recent divestments exceeded \$250m – compared to 20% globally – with 10% reporting divestments over \$500m.

Private equity involvement can maximize value

Canadian companies stand to benefit from private equity (PE) firms interested in sizeable carve-outs. New data is undoing the fallacy that PE pays less for businesses than corporate buyers. PE bidders are bringing a sharper focus on value, increased competition, strong multiples and a faster time to close the sale process.

33%

of Canadian companies believe including PE firms in their divestiture process increased the purchase price. 44% also reported decreased time to close as a benefit to PE involvement.

Race to digital transformation heats up

Canadian companies are looking at how divestments can enable their digital transformation journeys and address the new business models that are evolving out of sector convergence.

26%

of Canadian companies say the need to fund new technology investments was the most important factor prompting their most recent major divestment, while 15% identified sector convergence.

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