2025 private equity in Canada report

Data-backed industry insights

Private equity (PE) continues to solidify its position as a cornerstone of Canada's economy, driving business growth and expansion across the country. In recent years, PE activity has consistently outpaced public markets, showcasing its resilience and adaptability amid market fluctuations.

Looking into 2025, we anticipate a continued trend of increased deal activity as PE firms focus on returning capital to investors as well as strategically deploying capital into add-ons and new platform acquisitions.

While current geopolitical events may pose some challenges, PE is no stranger to navigating uncertainty. Coupled with macroeconomic factors like aging baby boomers, the great wealth transfer (with an estimated $1 trillion changing hands between 2023 and 2026, according to CPA Canada), and shifting market dynamics, PE will remain a key player in shaping Canada's economic future and solving the country's productivity problem.

We surveyed 450 fund managers and operating partners at PE firms and 200 CFOs at portfolio companies (portcos) for insights into their top priorities and challenges. Though there were some differences in short-term priorities, both care about long-term success and increased returns to their stakeholders.

"While external factors such as economic conditions and geopolitical dynamics will inevitably shape investment decisions, long-term success will depend on maintaining a disciplined approach to value creation, operational excellence, and staying true to the fundamentals of what makes a business strong—solving a real market need."

Sunil Sharma, National Leader, Private Equity and Transaction Services

This exclusive survey provides a deep dive into the Canadian PE landscape, highlighting key themes shaping the industry in 2025. In addition, we have woven in best practices throughout this report, offering actionable insights to help PE firms and portcos navigate the year ahead with confidence and resilience.

1. Top headwinds, challenges, and growth strategies

Our survey highlights overlapping challenges faced by both PE firms and portco CFOs in today's complex environment. Ongoing uncertainties—along with a heightened risk environment fueled by recent geopolitical activity—continue to compel PE firms and portcos to carefully consider the impact on their investment decisions regarding timing, location, and strategy.

Feedback from PE firms and portco CFOs has highlighted several key points where alignment is required on growth strategies. A collaborative approach towards achieving overall goals is expected to facilitate successful transactions and, ultimately, the long-term success for both portcos and PE firms.

2. Capital deployment

While deal activity grew moderately in 2024, the outlook for 2025 points to a sustained increase, driven by large amounts of deployable capital, as well as the need to create liquidity for investors via exits. With increased competition among PE firms to deploy capital, they are increasingly exploring alternative strategies. These include expanding investments in existing portcos, targeting distressed businesses in need of financial re-engineering, and turning to public markets where there are opportunities with undervalued companies.

3. Post-M&A operational challenges

While transactions often involve organizational changes, achieving the synergies outlined in the deal thesis (along with growth and cost savings) requires precise resource allocation and execution. Also, PE ownership typically introduces stricter reporting requirements, enhanced governance, and more structured decision-making processes, which can drive long-term value creation. However, for portco CFOs, these changes present challenges, including meeting aggressive revenue growth targets and adapting to new reporting standards—often a significant shift for private companies previously accustomed to minimal or less formal governance.

4. Value creation

Economic uncertainty, intensified competition for limited assets, and persistent—though narrowing—valuation gaps have heightened the critical role of effective value creation strategies during the hold period. The traditional financial arbitrage strategy of buying low, using heavy leverage, and quickly flipping assets to generate returns is no longer viable. With more PE firms entering at a premium, they must focus on operational and practical value creation using structured and targeted strategies to ultimately improve returns for their limited partners (LPs). While the strategies and levers utilized by PE firms and portco CFOs may vary, they are committed to getting the same result and above all else, execution is key. Responses from PE firms and portco CFOs show alignment in the areas of managing cash flow and adopting more sophisticated pricing strategies. In addition, opportunities can be unlocked by amplifying pre-deal due diligence to identify additional value opportunities.

5. The CFO's changing role

The role of the CFO has transformed dramatically, expanding beyond traditional finance management and reporting to encompass a strategic focus on driving operational, technological, and financial value. With talent acquisition and retention now critical to dealmaking as well as the success of value creation strategies, today's CFOs must possess a diverse skill set that includes leadership, investment acumen, change management, and entrepreneurial thinking. As their responsibilities increasingly centre on strategy and profitability, CFOs are evolving into Chief Value Officers (CVOs).

6. Technology adoption

The potential of artificial intelligence (AI) is gaining greater recognition as its adoption expands across diverse use cases. When utilized effectively, AI has the capacity to significantly boost productivity and efficiency, enabling organizations to prioritize value-driving activities. This shift is particularly critical as the ongoing talent shortage prompts both PE firms and portcos to reconsider how tasks are allocated. By automating repetitive or low-value processes, AI allows teams to focus on more meaningful, engaging, and value-added work. As AI tools continue to evolve, their applications are rapidly broadening, unlocking new opportunities for innovation and growth.

1. Top headwinds, challenges, and growth strategies

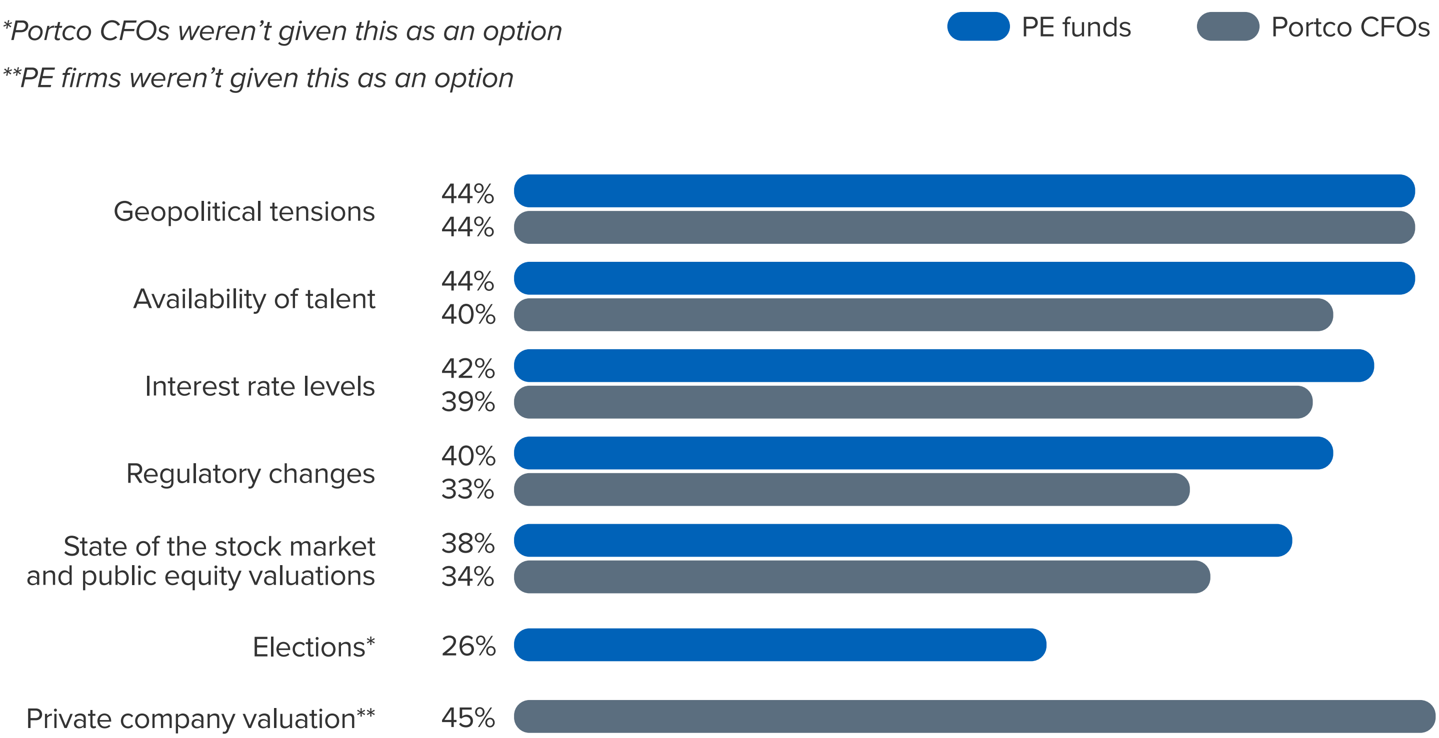
PE firms and portcos have faced numerous challenges in recent years: economic uncertainty, inflation, geopolitical issues, and volatile interest rates. A heightened risk environment along with LP overallocation in PE has constrained PE firms' ability to raise and deploy capital. Meanwhile, the threat of additional tariffs and potential trade wars—combined with a shortage of skilled workers and increasing productivity challenges—underscores that geopolitical tensions and talent availability remain the most pressing headwinds for both dealmaking as well as operations of portcos.

Top headwinds

Q: What macro headwinds, if any, will influence your dealmaking the most in the next 12 months?
(select up to three)

**Portco CFOs weren't given this as an option*

***PE firms weren't given this as an option*



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

PE firms' top three responses were: geopolitical tensions (44%), availability of talent (44%), and interest rate levels (42%).

Portco CFOs' top concerns were: private company valuation (45%), geopolitical tensions (44%), and availability of talent (40%).

Ongoing geopolitical tensions have caused PE firms to rethink their dealmaking strategy and employ a more disciplined investment approach. Given the amount of uncertainty in the market, PE firms are extremely cautious with taking on undue risk. Canadian funds, in particular, are expected to continue to shift their focus to businesses in services industries that have less exposure to tariffs.

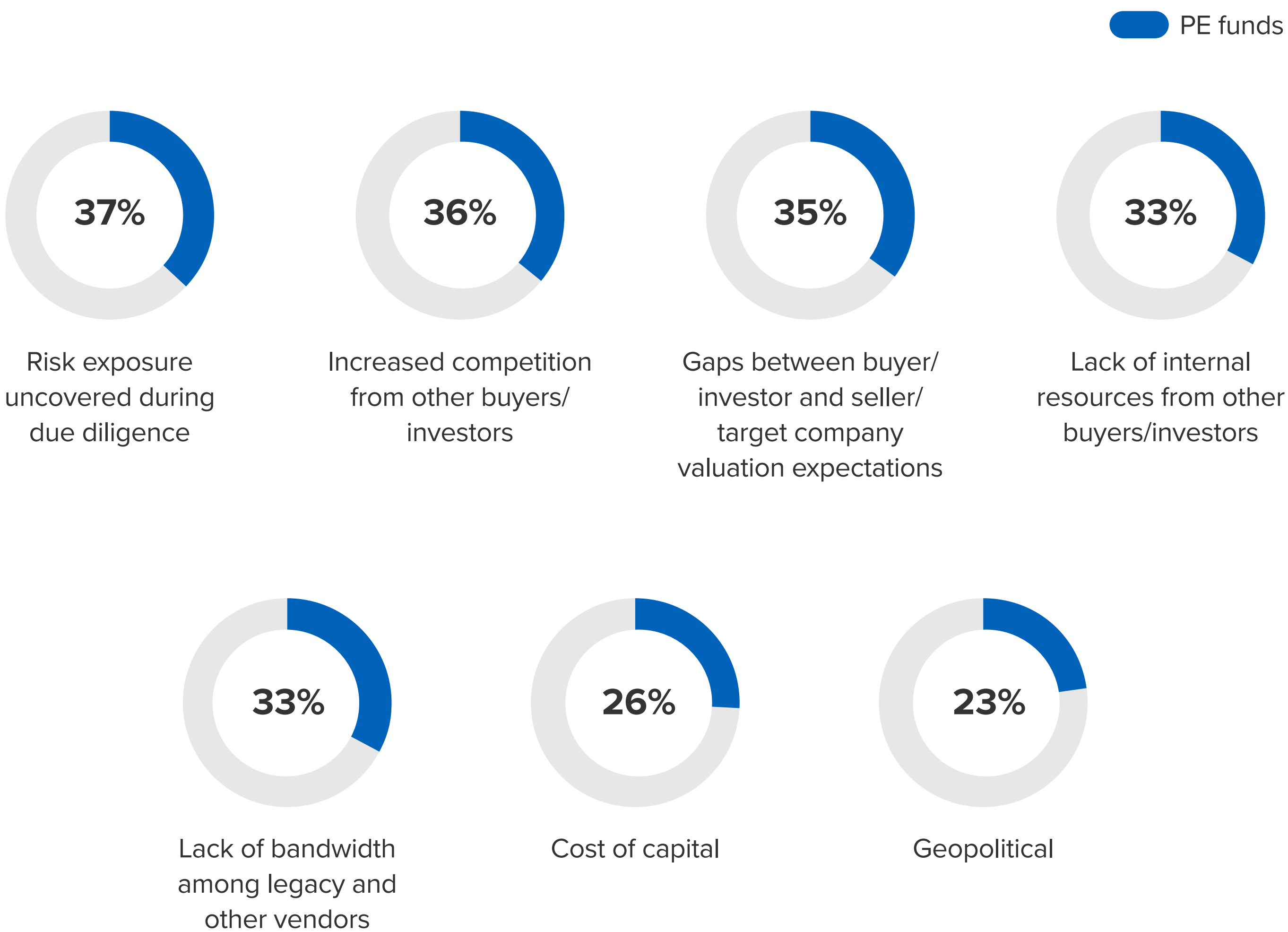
Additionally, interest rate volatility has resulted in higher leverage costs, lower valuations, and use of creative financing structures. Further, the ability to service debt and forecast cash flow requirements in a volatile interest rate environment remains challenging. Given the lack of quality assets in the market, as well as the need for appropriate talent to not only execute deals but help drive operational value creation, some dealmaking headwinds are expected in the coming year.

These headwinds are consistent with those expected by portco CFOs who must manage a demanding due diligence process along with daily operations, making them reluctant to pursue deals unless they can secure strong valuations and the right talent to navigate the process effectively.

> “As PE firms and portcos often operate with lean teams, leveraging automation as well as generative AI to handle repetitive tasks is critical because it allows top talent to focus on strategic priorities. Productive, high-calibre, and technologically literate individuals are becoming more important to empower lean teams.”
>
> —**Braham Moondi**, National Private Equity Leader, Assurance

Top challenges

Q: What are the top deal-specific challenges you are facing when it comes to closing transactions?
(select up to three)



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

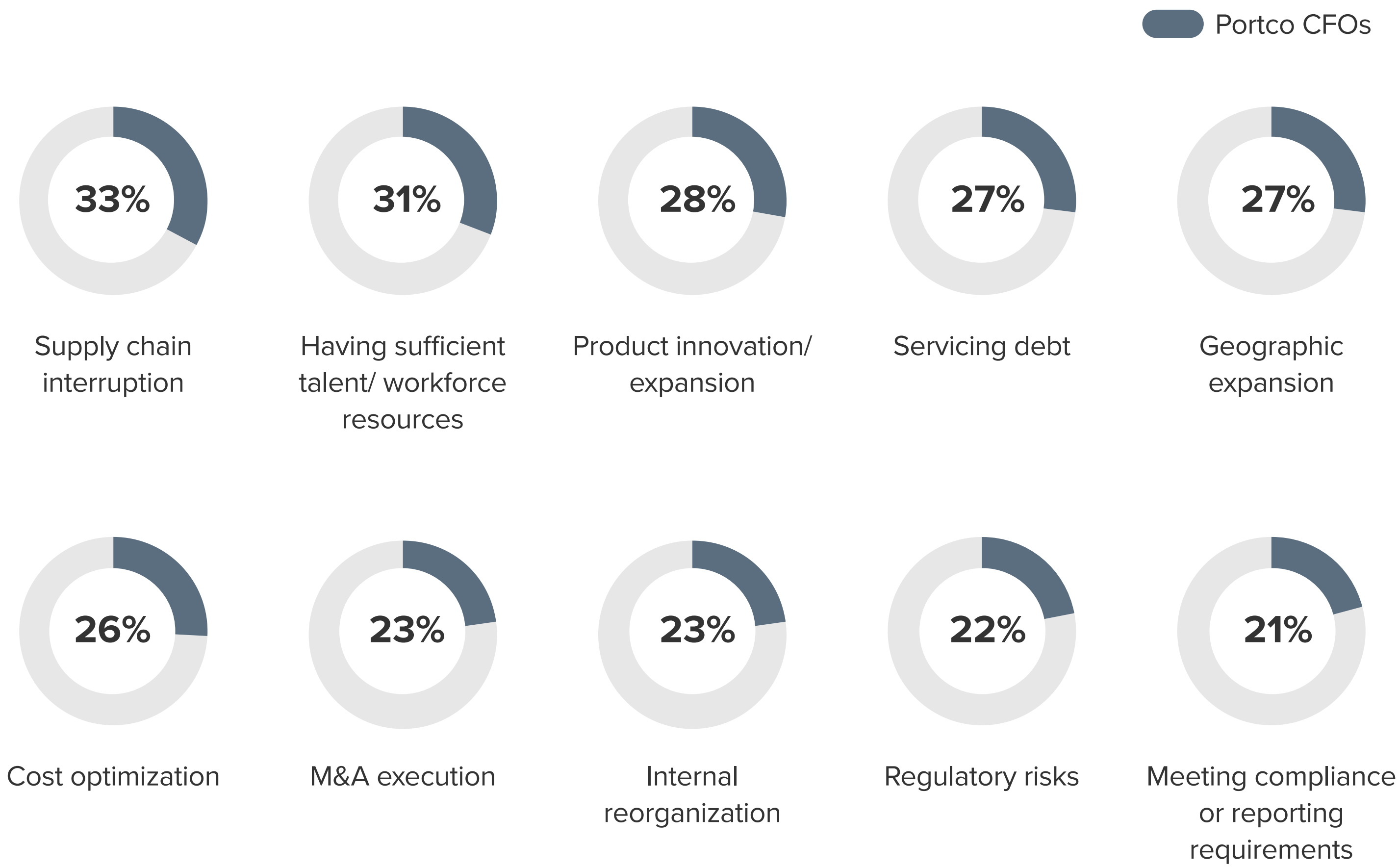
PE firms' top three responses were: risk exposure uncovered during due diligence (37%), increased competition from other buyers/investors (36%), and gaps between buyer/investor and seller/target company valuation expectations (35%).

PE firms are approaching deals with increased caution amid geopolitical and economic uncertainty, leading to longer and more comprehensive due diligence. Beyond traditional financial and tax due diligence reviews, PE firms are now routinely seeking third-party support to complete HR, IT, and ESG due diligence. This adds complexity and extends deal timelines. PE firms are in no rush to get deals across the finish line and prefer to see another month or two of financial performance prior to closing a new investment.

At the same time, rising competition—particularly from American PE firms entering Canada in recent years and increasing valuation expectations—is pushing Canadian PE firms to revisit their investment thesis and deal sourcing. The number of high-quality assets coming to market remains at a premium and processes involving such assets are highly competitive. U.S. investors consider Canada highly appealing, given the market similarities and an attractive Canadian dollar.

Meanwhile, valuation gaps persist as sellers cling to post-pandemic highs while buyers adjust for current economic conditions. Larger, more sophisticated sellers are happy to wait until the economic environment improves to achieve their desired exit. However, certain sellers, including those considering succession or facing strained balance sheets may have no choice. This creates some unique buying opportunities where buyers can be selectively aggressive. Maintaining discipline, conducting thorough diligence, and having a strong investment thesis for new opportunities remains imperative as PE firms manage through these challenging times.

Q: What are the top challenges facing your business today, if any? *(select up to three)*



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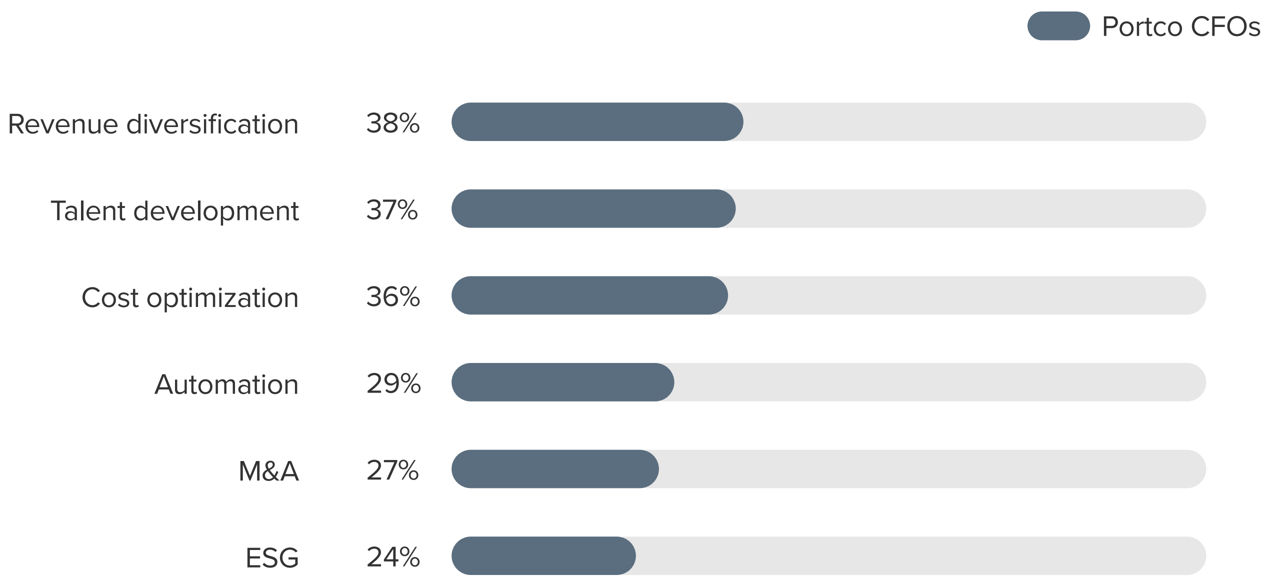
Portco CFOs identified supply chain interruption (33%) as their top concern, followed by having sufficient talent/workforce resources (31%) and product innovation/expansion (28%).

While many companies worked through the post-pandemic supply chain backlogs, additional tariff threats continue to create concern regarding global supply chains. A top priority for portco CFOs is to create a contingency plan from a supply chain perspective if more tariffs are implemented. Talent, workforce efficiency, and product innovation remain top challenges for portco CFOs as they significantly affect both daily operations and the long-term resilience of their businesses.

In our view, investing in diversified supplier relationships and leveraging technology (see the section on technology adoption) can help future-proof businesses against these ongoing disruptions.

Growth strategies

Q: Which of the following is/are most important to you in the next 12 months, if anything? *(select up to two)*

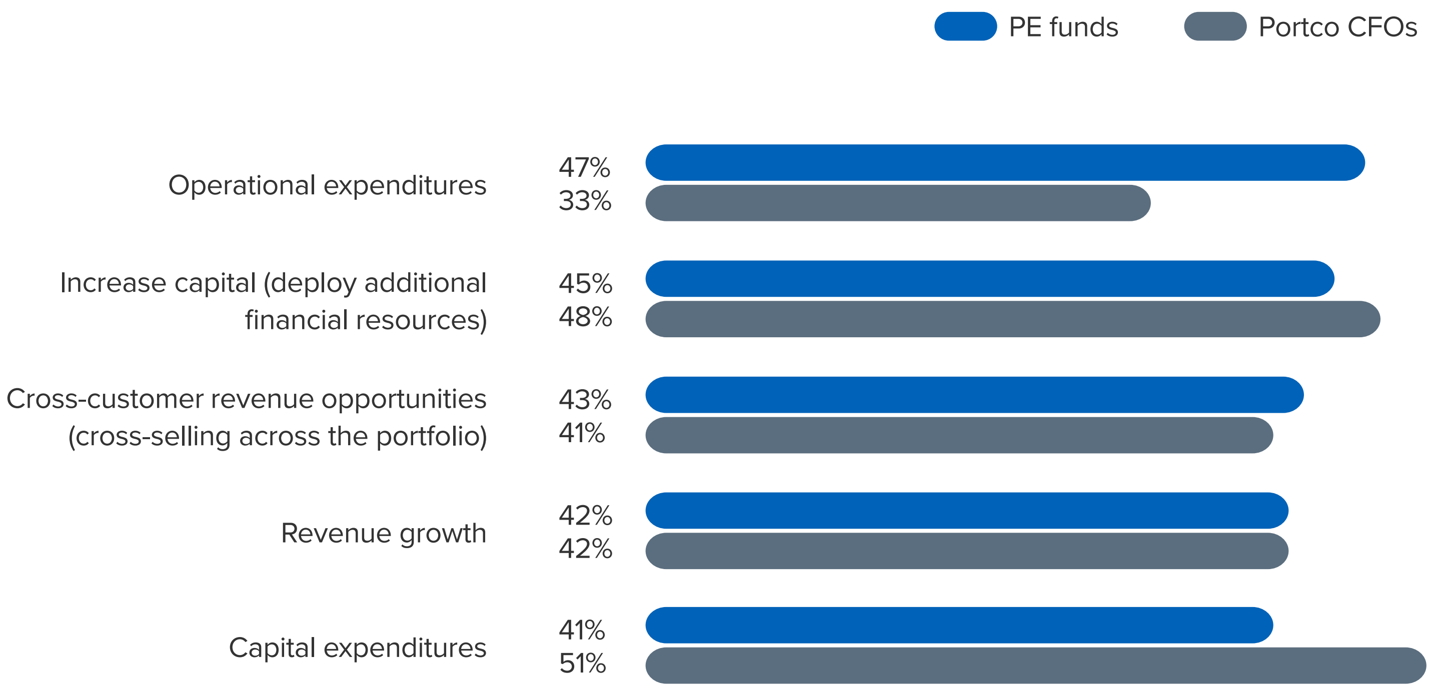


(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

The most important issues for portco CFOs were: revenue diversification (38%), talent development (37%), and cost optimization (36%).

Portco CFOs are focused on revenue diversification to mitigate any concentration risks. While tuck-in acquisitions remain an important strategy for top-line growth and market expansion, there is also a focus on sub-sectors as well as ensuring portcos develop a skilled team and improve retention to remain competitive—especially as a lever for efficiency and profitability. Talent development is no longer simply an HR function, but a financial and strategic priority as it can directly impact a company's ability to scale, innovate, and drive value creation.

Q: What top-line growth strategies, if any, do you expect your portcos/are you planning to deploy in the next 12 to 18 months? *(select all that apply)*



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

The top three strategies identified by PE firms were: operational expenditures (47%), increase capital (45%), and cross-customer revenue opportunities (43%).

In contrast, portco CFOs emphasized that their top three strategies were: capital expenditures (51%), increase capital (48%), and revenue growth (42%). These strategies tend to be a focus for long-term growth, innovation, and critical for scalability.

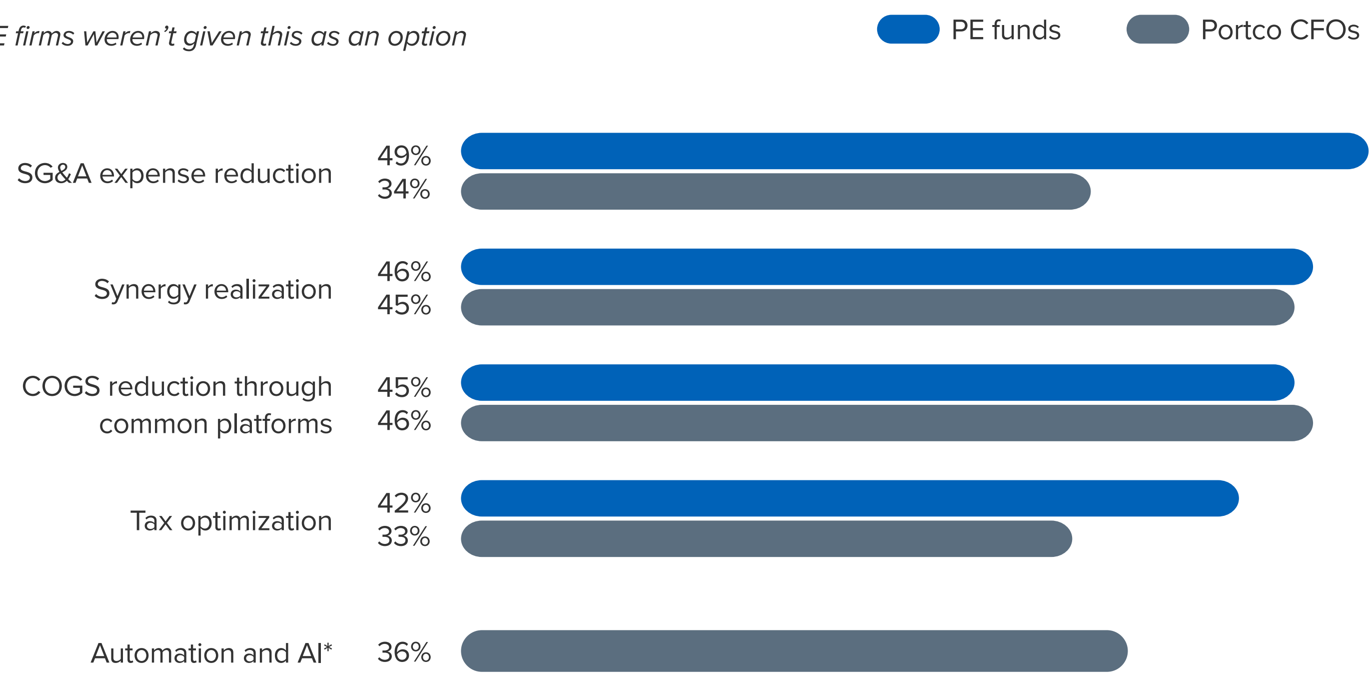
The slight divergence in responses between PE firms and portco CFOs can be attributed to the typical PE hold period, which can drive a lot of investment decisions. PE firms prioritize scalability and often deploy capital for organic growth or strategic M&A, aligning with their investment thesis where immediate returns can be realized. PE firms are less likely to make capital-intensive investments if the payback period extends beyond their expected exit timeline.

Given the competitive dealmaking environment, many PE firms are acquiring businesses at a premium valuation. Any significant capital investment that does not yield measurable returns within the typical hold period risks diluting returns rather than enhancing them. These investments may compress margins, increase costs, and lower short-term profitability, making it more difficult to achieve multiple expansion at exit.

As such, PE firms may favour operational expenditures (i.e., sales and marketing spend) whereas portco CFOs—who tend to look at their businesses with a longer time horizon—might favour capital expenditures to improve long-term operations. Given the competing preferences, a balanced approach of prioritizing high-impact capex projects that focus on efficiency, margin expansion, or revenue acceleration within 12 to 14 months would be a good fit along with considering structured (or phased) investments using alternative financing. Additionally, open and transparent communication between portco CFOs and PE firms is imperative in ensuring a strategic balance is reached.

Q: What bottom-line growth strategies, if any, do you expect your portcos to deploy in the next 12 to 18 months? *(select all that apply)*

**PE firms weren't given this as an option*



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

PE firms identified selling, general, and administrative (SG&A) expense reduction (49%); synergy realization (46%); and cost of goods sold (COGS) reduction through common platforms (45%).

COGS reduction through common platforms (46%), synergy realization (45%), and automation and AI (36%) were the top three priorities for portco CFOs.

PE firms and portco CFOs are largely aligned on bottom-line growth strategies focusing on cost levers to drive value creation. With some of their platform investments potentially being companies that have grown rapidly without optimizing costs, PE firms often look to cut excess spending. Furthermore, for tuck-in acquisitions, cost synergies can be an important part of the thesis, with performance being improved through headcount reductions, supplier consolidation, and increased purchasing power.

Despite the diverse strategies within both top-line and bottom-line growth strategies, we note general alignment between both PE firms and portco CFOs on tactics within each strategy. Overall, we also note that businesses would need to balance both top-line growth with bottom-line strategies to ensure long-term sustainable success.

Overall, it is crucial to find a middle ground to ensure success and alignment, leveraging shared experiences and knowledge from both sides, with a high degree of focus on execution. By integrating capex investments with operational discipline, both sides can create a sustainable, high-impact growth strategy.

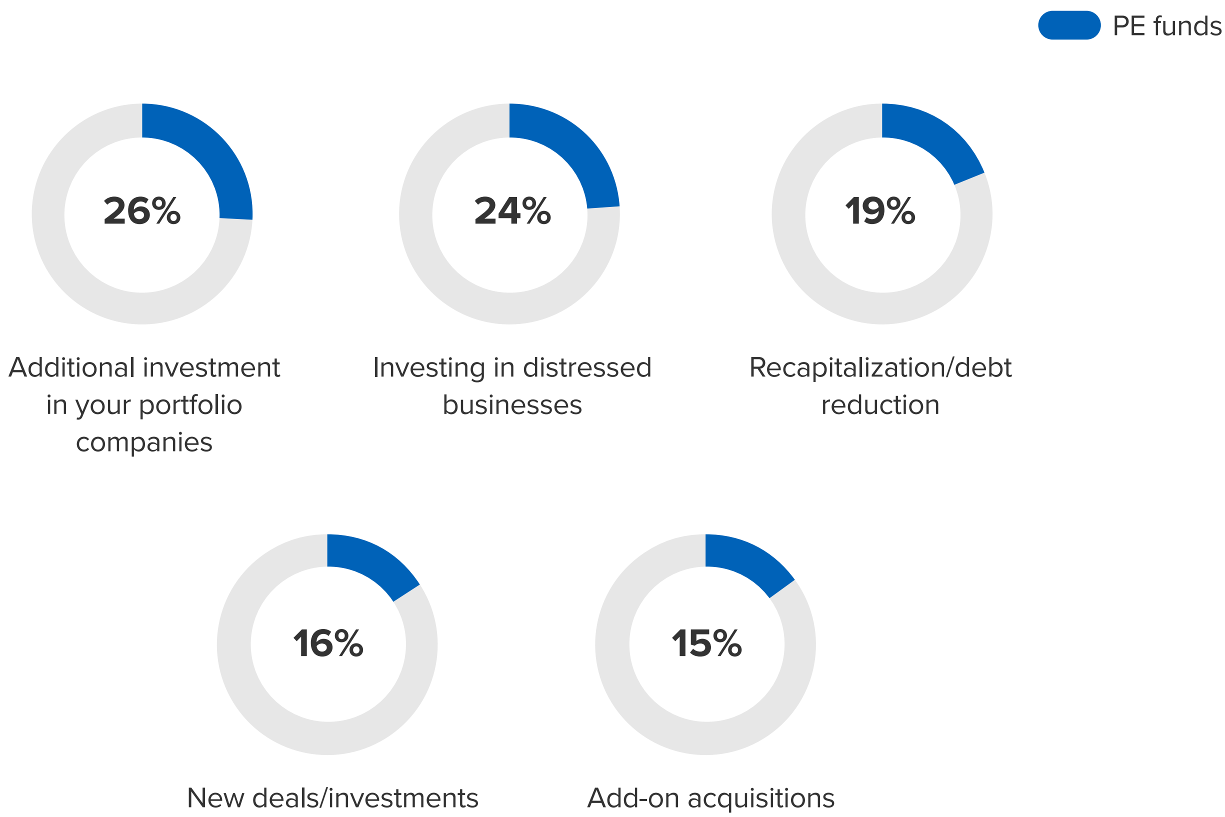
> "It is important to focus on the tax implications for some growth strategies. For example, capex can potentially qualify for tax credits, deductions, or accelerated depreciation. This enhances cash flow and supports long-term growth objectives. Revenue growth can also result in tax issues outside of Canada."
>
> —**Danvir Roopra**, National Private Equity Leader, Tax

2. Capital deployment

According to Preqin, global dry powder levels were US$2.51 trillion at the end of 2024, marking a 6% decrease from the record US$2.66 trillion a year earlier. This decline reflects an uptick in dealmaking activities in 2024, with global PE deal value rebounding by 14% to reach US$2 trillion, notes PitchBook. That makes it the third-most active year on record for the asset class by value.

Overall, despite a slight decrease, global PE dry powder remains substantial, providing firms with the capital necessary to capitalize on emerging opportunities. Additionally, while 2024 saw a decline in fundraising, a resurgence is anticipated in 2025, driven by improved expected exit fundaments and an increased need for distributions to LPs.

Q: In the next 12 to 18 months, what is the primary way you anticipate your firm will deploy dry powder?



The top three answers from PE firms were: additional investment in their portfolio companies (26%), investing in distressed businesses (24%), and recapitalization/debt reduction (19%).

The challenging macroeconomic environment has caused a strain on portcos. In addition, a lack of high-quality assets and persistent valuation gaps are prompting PE firms to focus their attention and capital on their existing portfolio by making operational improvements, expanding strategically, and enhancing value creation.

PE firms are investing and deploying capital into their portfolios to create value in order to maximize returns for their LPs and prepare for an optimal exit. With the added threat of tariffs, they're also reassessing portfolios and investing to restructure supply chains—exploring alternative sourcing and evaluating domestic vertical integration.

Additionally, with the dealmaking headwinds and challenges discussed above, PE firms are looking for potential distressed opportunities, which they can turn around via their financial engineering and value creation playbooks.

Finally, with an ever-evolving credit market as well as the liquidity crunch at the LP level, PE firms are prioritizing balance sheet optimization to not only enhance financial flexibility but also find creative solutions to provide some returns to their LPs without having to exit completely

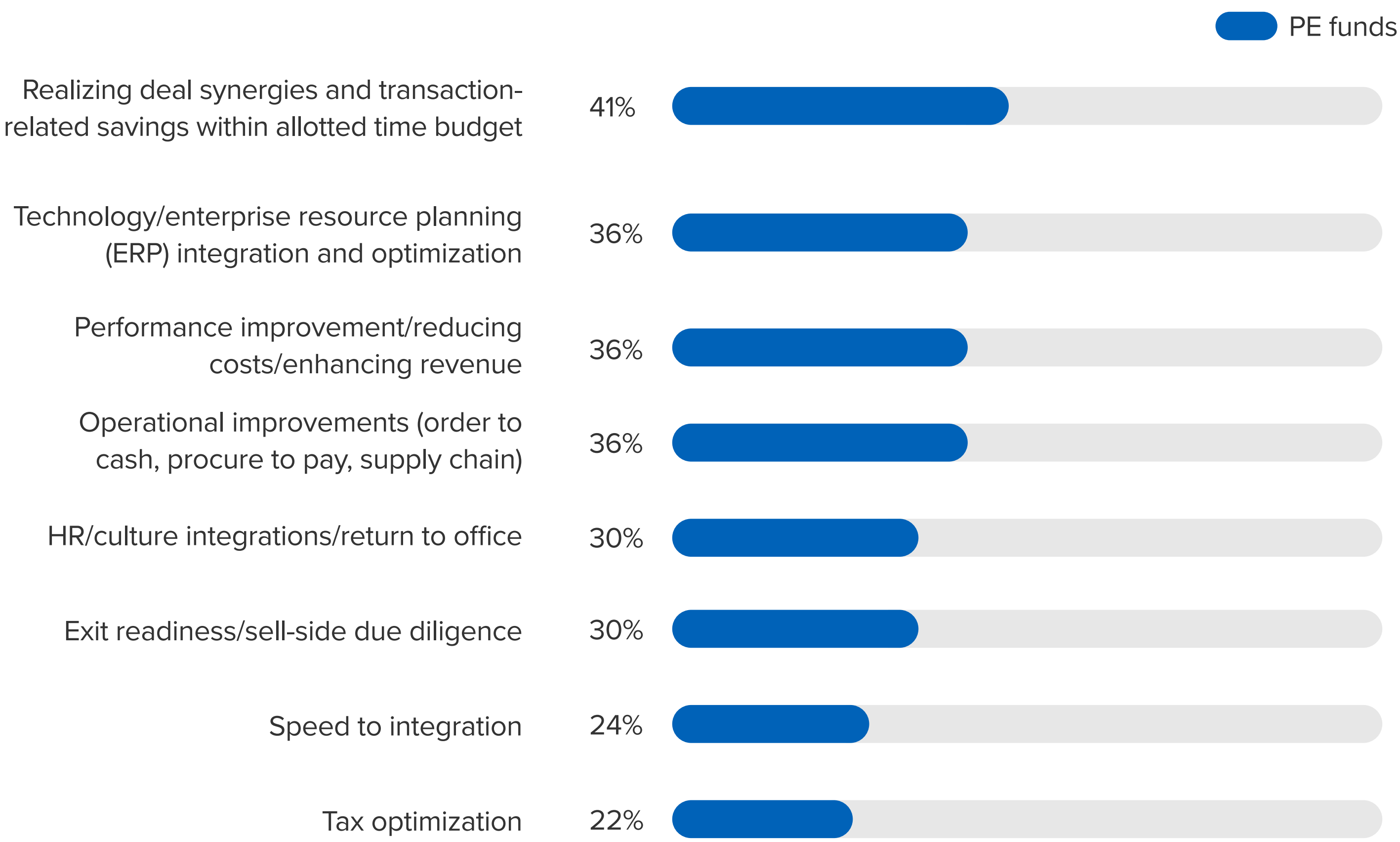
This capital deployment strategy supports a shift we see in the market towards resilience and long-term value creation where PE firms are actively supporting their portcos while seeking strategic, high-potential investments in a rapidly evolving market.

As mentioned earlier, PE firms are going back to investment basics with a renewed focus on strengthening cash flows and disciplined growth towards profitability rather than the growth-at-all-costs strategy. Outside of existing portfolios and distressed businesses, a renewed sector-specific focus is also emerging with opportunities noted in historically fragmented services industries.

3. Post-M&A operational challenges

Closing an acquisition is just the beginning. There are many post-merger integration challenges for both the purchaser and the target company that can impact the culture as well as the long-term success of the investment.

Q: What do you see as the top post-M&A operational challenges over the next 12 to 18 months?
(select up to three)



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

Realizing deal synergies and transaction-related savings within the allotted time/budget (41%) was the top response from PE firms. Second was a three-way tie between technology/enterprise resource planning (ERP) integration and optimization, performance improvement/reducing costs/enhancing revenue, and operational improvements (36% each).

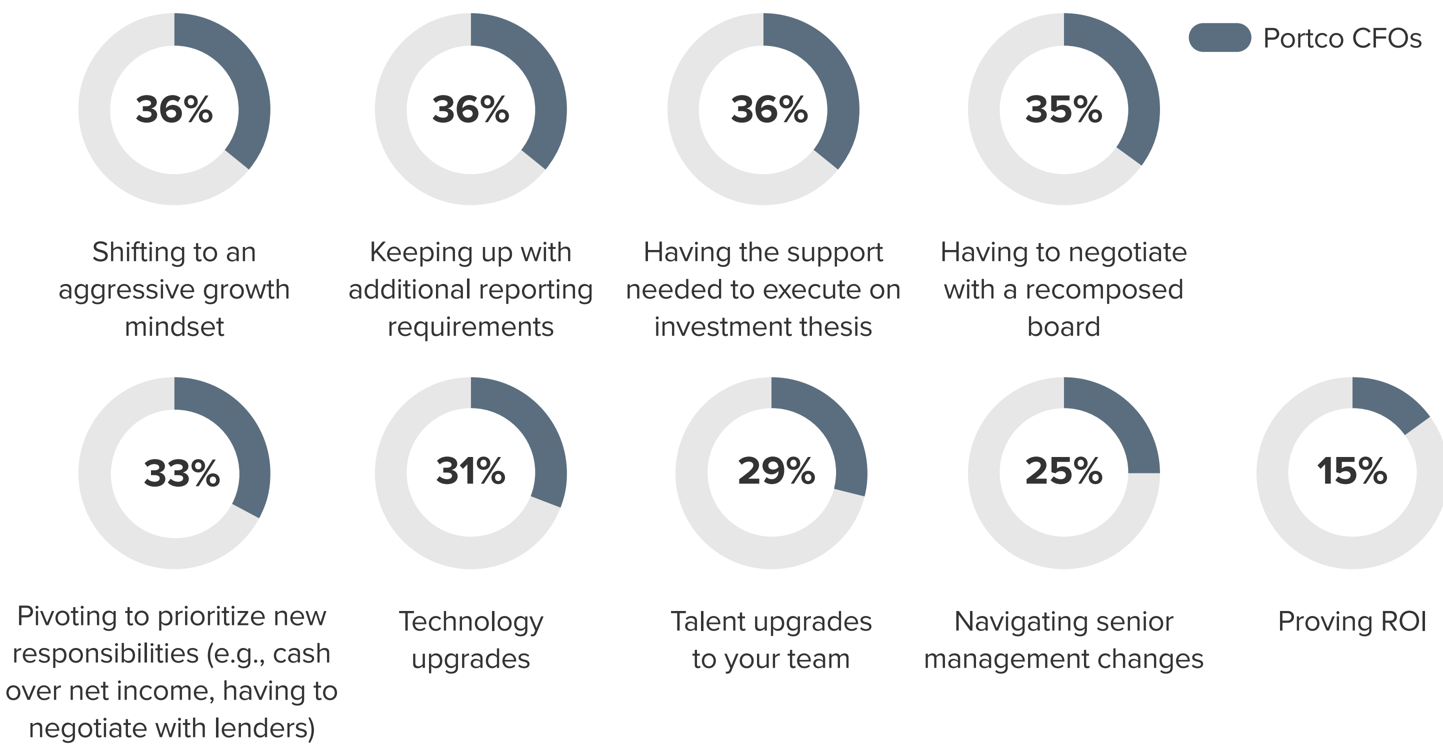
Most PE deals are structured around a combination of growth, synergy realization, and cost optimization—factors that are becoming increasingly difficult to achieve in the current economic environment. In addition, PE firms, often the first form of institutional capital, invest significant time and resources in professionalizing these businesses. This typically includes implementing the appropriate technology (e.g., ERPs) and financial reporting frameworks for improving operational efficiencies and access to reliable and timely financial information for effective decision making, as well as bringing in the right management teams.

Various studies have shown that more than 70% of M&A deals fail to meet expectations—not due to misidentification but because of execution bottlenecks. Limited capacity caused by competing demands on management's time as well as restraint on availability of talent and other resources can become significant barriers.

> "As synergy realization is no longer simply focused on cost cutting and there is a greater shift towards hands-on operational involvement, PE firms must play a more active role in value creation. In our experience, identifying performance improvements is straight forward. However, execution requires time, accountability, and structured oversight."
>
> —**Adam Brown**, National Leader, Strategy, Value & Analytics

A project management office (PMO) or a dedicated synergy team is critical to ensuring these objectives are met. Additionally, having a structured post-merger integration framework with clear ownership and KPIs is far more likely to capture full synergy potential.

Q: What are the top changes to being owned by private equity, if any? *(select up to three)*



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

For portco CFOs, it takes some time to adjust to ownership by a PE firm. Their top responses were: shifting to an aggressive growth mindset (36%), keeping up with additional reporting requirements (36%), having the support needed to execute on investment thesis (36%), and having to negotiate with a recomposed board (35%).

A shift in ownership typically brings a change in expectations. For many organizations, PE investment alters reporting standards, governance, and decision-making processes. These changes are often positive and supportive of the organization's long-term growth trajectory.

Additionally, a common pitfall has been that many PE firms expect their portco management team to handle synergy realization, operational transformation, and reporting enhancements despite these teams already being stretched thin from managing day-to-day business needs. On the flip side, management teams can also want to over-deliver for their new investors and have a willingness to take on more but then struggle to execute due to lack of capacity.

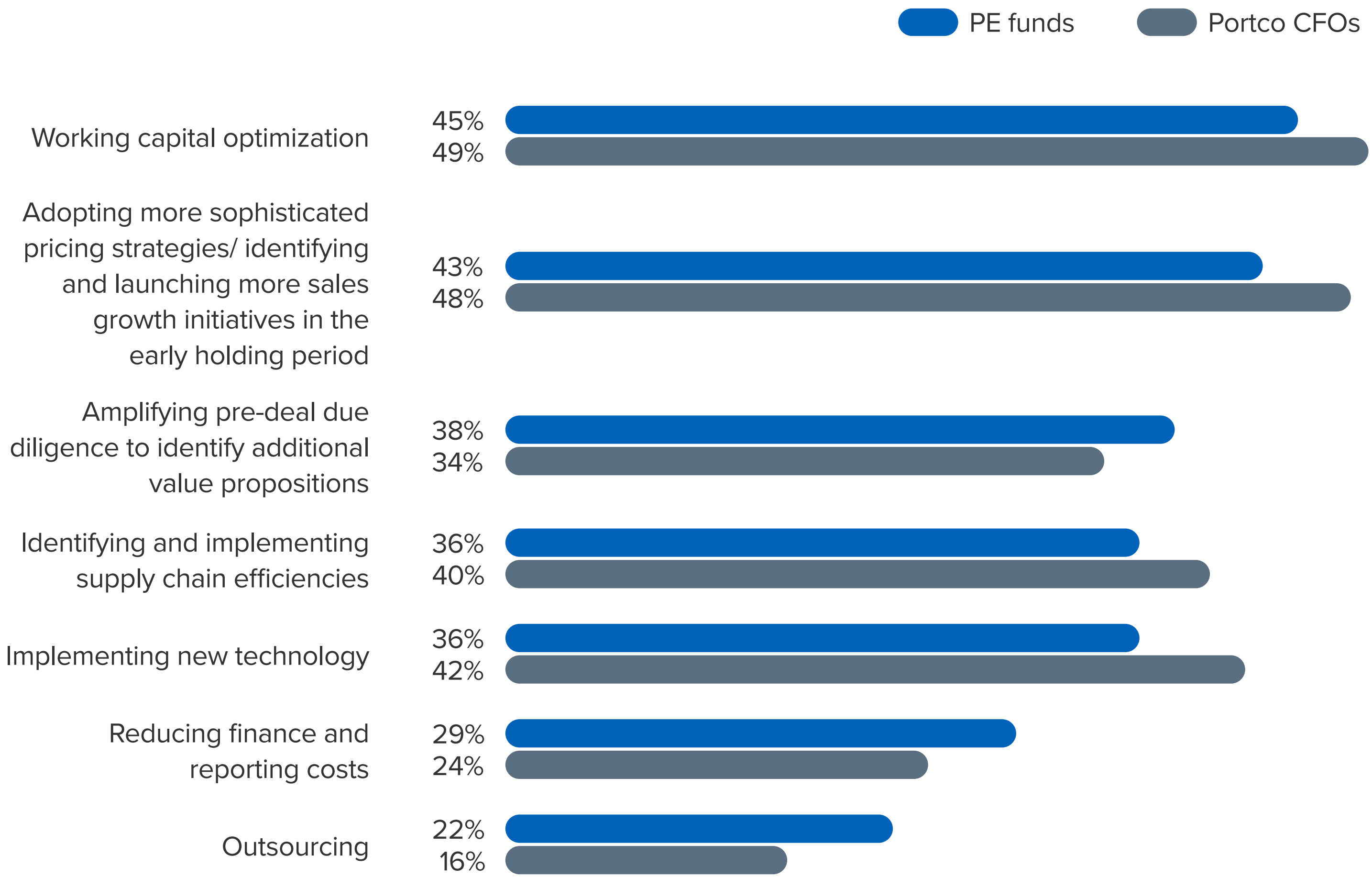
It is critical for PE firms to be cognizant of this dynamic and provide clear roles and responsibilities to management, along with structured support (whether from themselves or external consultants) to allow a smoother post-merger transformation.

As both PE firms and portcos navigate competing priorities, having a strategic value creation partner with a clear line of sight to an eventual exit can enhance post-merger integration and accelerate ROI realization. By ensuring that change management post-acquisition is executed in a timely, structured manner, PE firms can de-risk execution and focus on value creation by establishing a strong foundation on which to scale the business.

4. Value creation

Having a sound value creation playbook is essential as ever, especially during a highly competitive dealmaking environment. Execution of said playbook is essential as returns driven by financial engineering are harder to come by. Additionally, as LPs become more selective about where they allocate capital, there is a rising trend favouring general partners (GPs) with a proven track record of operational value creation.

Q: Which of the following value creation strategies, if any, do you feel would make the most impact in the next 12 to 18 months? *(select up to three)*



(Note: the total does not add up to 100 due to rounding)

PE firms' top three responses were: working capital optimization (45%), adopting more sophisticated pricing strategies/identifying and launching more sales growth initiatives in the early holding period (43%), and amplifying pre-deal due diligence to identify additional value propositions (38%).

Working capital optimization (49%), adopting more sophisticated pricing strategies/identifying and launching more sales growth initiatives in the early holding period (48%), and implementing new technology (42%) were the top responses from portco CFOs.

Small, early adjustments—such as refining pricing strategies or optimizing working capital—can accelerate growth and build momentum.

Both PE firms and portco CFOs are aligned on improving working capital as a value creation opportunity. This can be achieved via strategic inventory and supply chain management, improving collections from customers, and optimizing supplier payment terms to enhance liquidity and financial flexibility. It is an area often overlooked by business owners and where PE firms can create value.

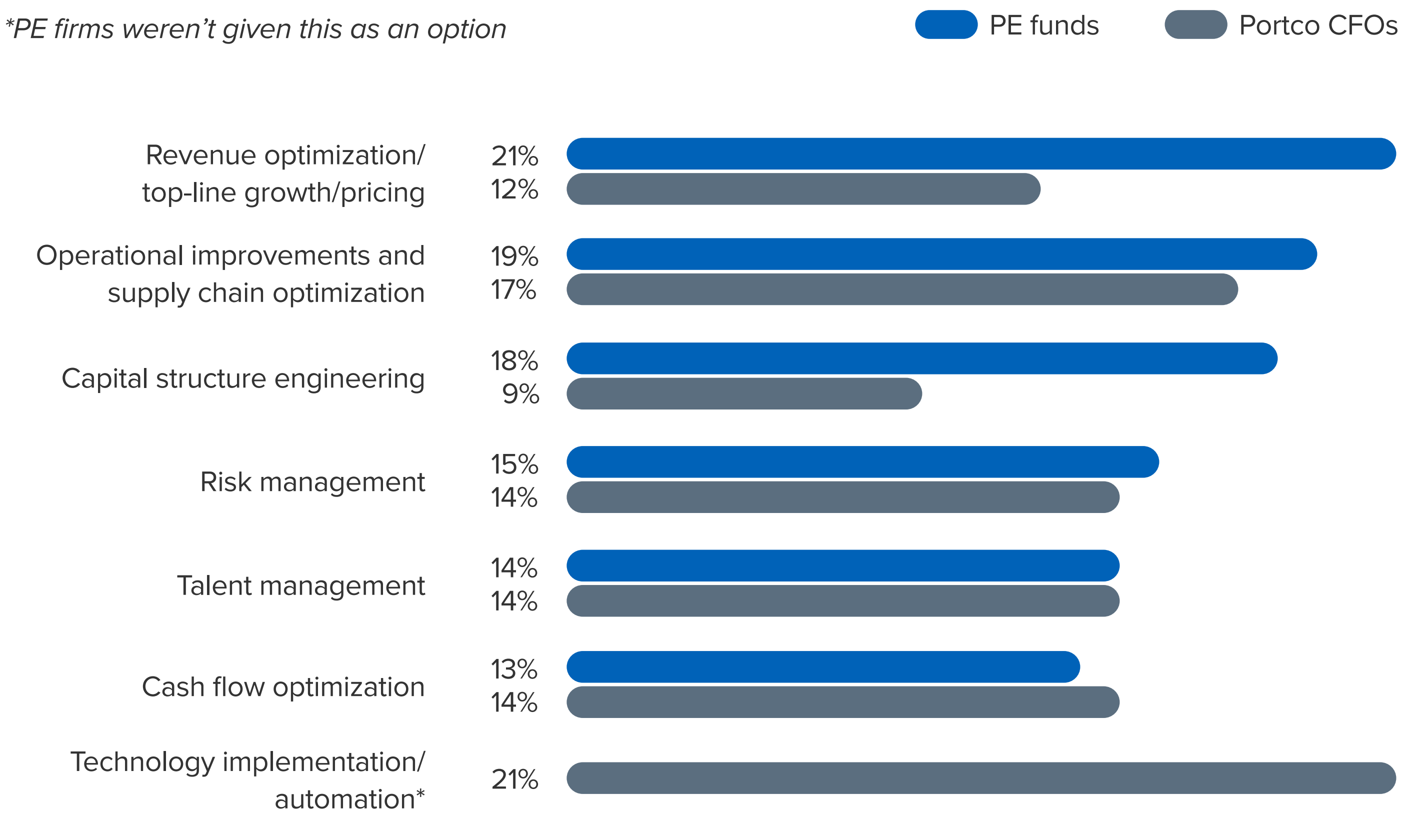
Additionally, both PE firms and portco CFOs highlighted the importance of implementing sophisticated pricing models and launching targeted sales initiatives early in the hold period to help accelerate revenue generation and improve financial performance. This strategy is increasingly valuable and important to implement as soon as possible to realize benefits on both the top and bottom lines.

PE firms also noted that a significant value creation opportunity can be unlocked by amplifying pre-deal due diligence to identify additional opportunities, particularly in today's competitive deal environment. Opportunities uncovered earlier can be pursued and realized over the life of the hold period. Given compressed return potential from multiple expansion and higher financing costs, PE firms must go deeper to uncover hidden EBITDA expansion opportunities, operational inefficiencies, and growth levers that can drive outsized returns post-close.

If not done pre-deal, a value creation or performance improvement assessment should be undertaken soon after the deal closes to identify and develop opportunities. Furthermore, instead of waiting until 100-day plans are developed post-close, deep diligence should create a pre-built execution roadmap, allowing PE firms to move faster, reduce execution risk, and maximize exit potential.

Portco CFOs and PE firms have differing priorities regarding technology implementation. While technology adoption can be a significant value creation lever, PE firms may not be able to realize the full value of this investment given their hold periods. On the other hand, portco CFOs can have a longer-term view on the realization of benefits on these investments. With a shortage of talent and low productivity, using technology to augment operations can be highly beneficial and should be part of PE firms' investment thesis and 100-day plans.

Q: What value creation lever do you deploy most frequently?



(Note: the total does not add up to 100 due to rounding)

Revenue optimization/top-line growth/pricing (21%), operational improvements and supply chain optimization (19%), and capital structure engineering (18%) were the top answers from PE firms.

Portco CFOs' top answers were: technology implementation/optimization (21%), operational improvements and supply chain optimization (17%), talent management (14%), cash flow optimization (14%), and risk management (14%).

> "The data shows that technology is a priority and will remain top of mind for years to come. CFOs are long-term value seekers. They are not tied to the investment lifecycle, and it is unsurprising they are considering a longer time horizon."
>
> —**Matt Glenen**, Partner, Technology Consulting

Portco CFOs deploy technology implementation/automation most frequently for value creation, followed by operational improvements and supply chain optimization.

In contrast, PE firms tend to view operational improvements and supply chain optimization as a primary value creation lever, but they place greater emphasis on revenue optimization and top-line growth as the most important factor. For portco CFOs, supply chain disruption continues to be a challenge despite a post-pandemic stabilization, followed by talent/workforce concerns. Although revenue optimization is chosen less frequently as a value creation lever by portco CFOs, it should be noted that it was the top response by PE firms.

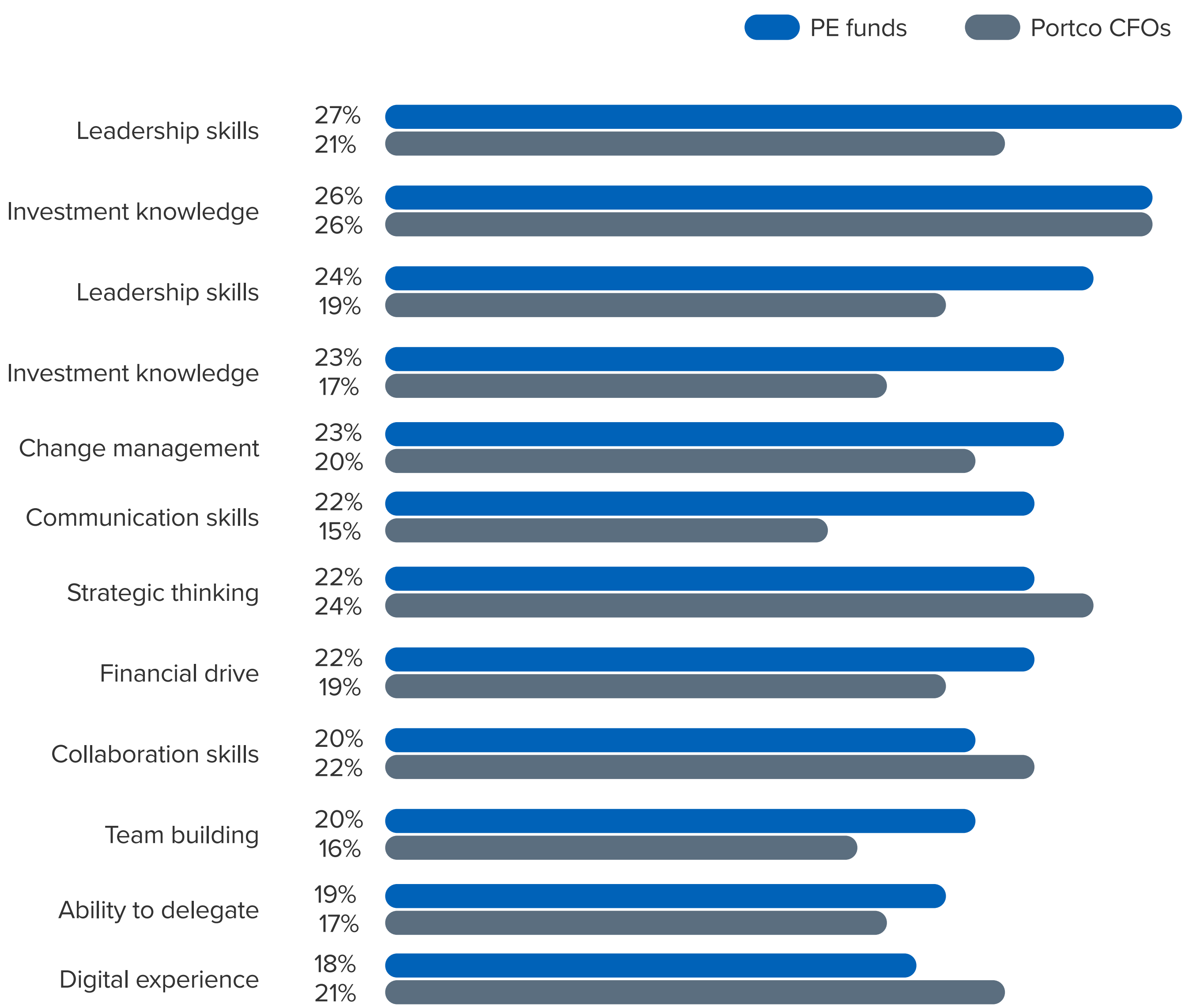
While there are some differences of opinion, both PE firms and portco CFOs are partnering for growth and creating value. Given elevated valuations, economic uncertainty, and interest rate volatility, firms that rely solely on financial arbitrage or multiple expansion risk subpar returns. Instead, operational value creation has become the primary lever for driving growth and enhancing portfolio performance.

Furthermore, exit premiums continue to be closely tied to the operational maturity of businesses where strategic buyers and secondary PE firms will pay a premium for well-integrated, efficient businesses. As such, both PE firms and portco CFOs are committed to value creation and operational excellence in their businesses. As well, PE firms and portco CFOs must balance selective acquisitions with organic operational improvements to maximize value creation. A structured value creation plan, backed by a PMO for oversight and accountability, has become essential in today's market.

5. The CFO's changing role

The CFO's role has transformed considerably over time. Historically, they were typically responsible for managing a company's finance function (reporting, assessing performance, and fundraising). However, the modern CFO's priorities are evolving to encompass more strategic involvement to help drive an organization's operational, technological, and financial success. Responses from PE firms and portco CFOs reflect the evolution of this role.

Q: What are the hardest traits to find in a portfolio company CFO?/What are the most important traits of a portfolio company CFO? *(select up to three)*



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

PE firms' top three responses were: leadership skills (27%), investment knowledge (26%), and entrepreneurship (24%).

Investment knowledge (26%), strategic thinking (24%), and collaboration skills (22%) were the top three answers from portco CFOs.

Leadership and investment knowledge are core requirements for the modern CFO. Both PE firms and portco CFOs agree that these skills are essential for navigating the complexities of a PE-backed environment. In addition, strategic thinking and change management are crucial, reflecting the evolving demands on CFOs to drive business scalability. Furthermore, as technology and data analytics reshape financial operations, CFOs need to embrace digital transformation and work cross-functionally to unlock efficiencies.

As the Canadian economy welcomes more institutional investors, the role of a CFO is increasingly focused on value creation rather than simply financial reporting. Accordingly, CFOs are sometimes referred to as CVOs and are expected to do much more than just overseeing the finance function. With higher expectations for strategic input, post-merger integration, and operational excellence, these CVOs who possess a hybrid skill set of financial acumen, investment knowledge, and leadership capabilities will be the ones driving long-term profitability and success.

> "Finding a CFO that has the unique combination of experience with PE and the evolving skill set of the role is critical. Developing and solidifying skills and capabilities in this area will drive long-term profitability and success."
>
> —**Braham Moondi**, National Private Equity Leader, Assurance

Read more about:

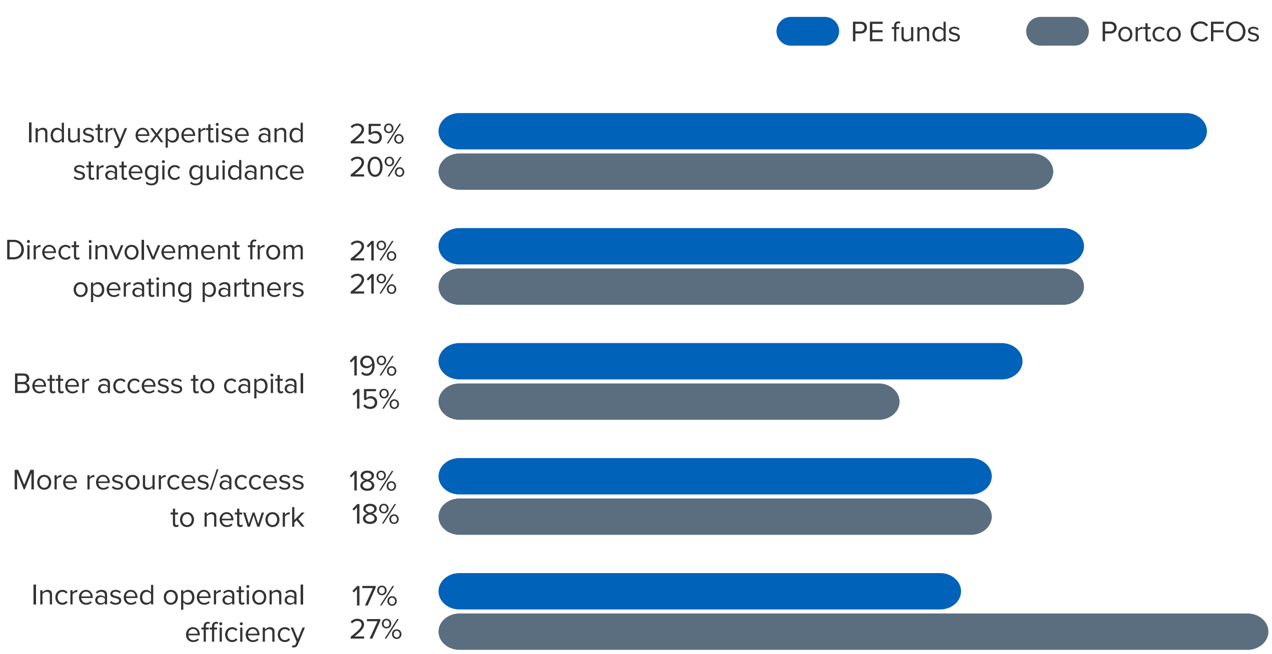
The ever-changing role of the CFO and

Chief Value Officer: The important evolution of the CFO.

PE ownership

PE ownership provides portcos with numerous advantages that can improve a company's performance. How PE firms and portco CFOs view this differs slightly.

Q: What, if anything, do you see as the top benefit to coming under private equity ownership?



(Note: totals may not add up to 100 due to rounding)

PE firms' top responses were: industry expertise and strategic guidance (25%), direct involvement from operating partners (21%), better access to capital (19%), more resources/access to network (18%), and increased operational efficiency (17%).

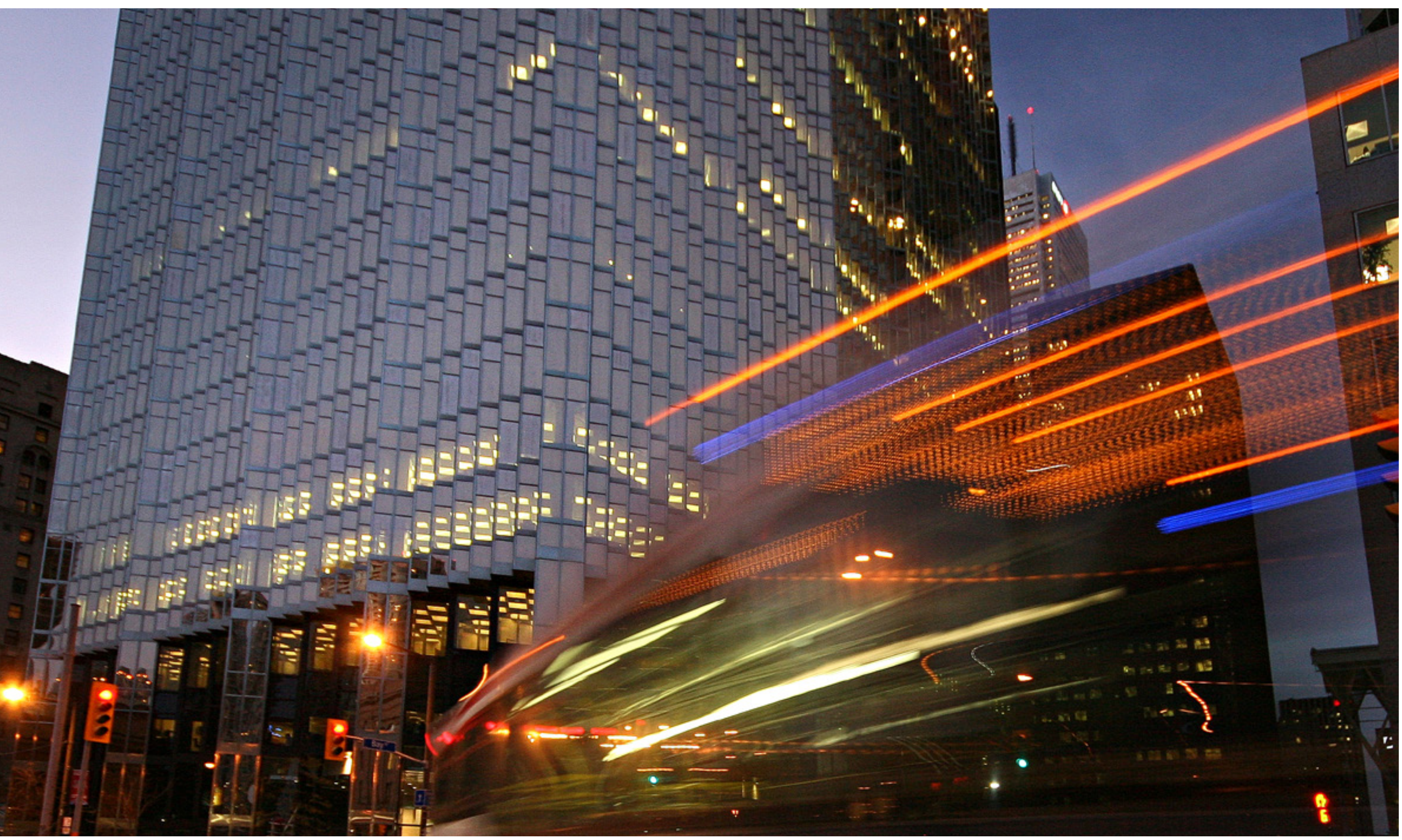
Increased operational efficiency (27%), direct involvement from operating partners (21%), industry expertise and strategic guidance (20%), more resources/access to network (18%), and better access to capital (19%) were the top responses from portco CFOs.

PE firms can support Canadian companies at various stages of development by providing capital and expertise. They enable companies to become more productive, competitive, and resilient—allowing them to seize opportunities that were previously out of reach, including international expansion.

In today's high-cost, competitive investment environment, PE ownership is less about financial engineering and more about operational excellence. As noted above, industry expertise and strategic guidance is one of the most valued benefits among PE firms and portco CFOs. They recognize the advantages of receiving sector-focused expertise and board-level governance oversight. Additionally, portco CFOs see PE-backed operational improvements as the most impactful advantage given that process optimization, technology upgrades (where appropriate), and cost efficiencies create immediate value in their day-to-day operations.

As mentioned earlier, both PE firms and portco CFOs appreciate hands-on guidance to ensure structured execution of value creation initiatives, particularly in areas like post-merger integration, commercial optimization, and cost reduction. These are typically areas that have structured playbooks PE firms are experienced in executing and can create both trust as well as transparency between the firms and their portco CFOs.

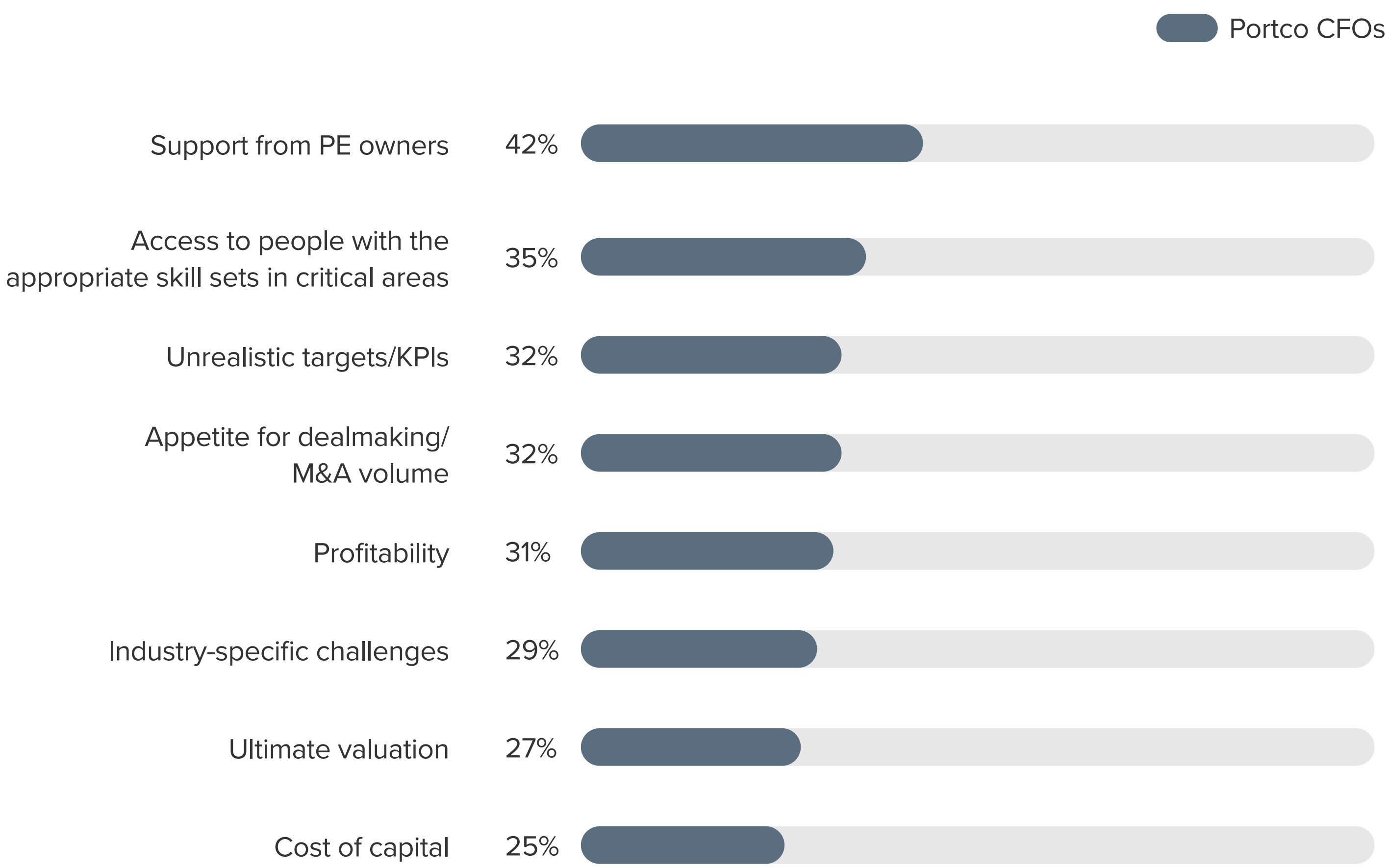
Interestingly, while PE firms highlight better access to capital, portco CFOs rank it lower, suggesting they value execution support over financial backing. This may be due to the recent commoditization of capital with relaxed interest rates as well as large amounts of dry powder available for investing.



Meeting objectives

Meeting the objectives of the investment thesis is difficult for portco CFOs and they provide the reasons why.

Q: You said you expect it to be difficult to meet the objectives of the investment thesis, why is this?
(select all that apply)



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

The top responses of portco CFOs were: support from PE owners (42%), access to people with the appropriate skill sets in critical areas (35%), unrealistic targets/KPIs (32%), and appetite for dealmaking/M&A volume (32%).

Interestingly, CFOs cite a lack of support from PE firms as the number one hurdle to meeting objectives, which can be due to a number of reasons. First, certain PE funds are more passive than others and there may be a misalignment in expectations of how much support there should be. This highlights the importance of business owners getting to know their potential PE investor style and approach intimately prior to consummating a transaction.

Second, in today's economic environment, PE firms are more likely to spend more of their time supporting portcos that are not performing and mitigating value erosion, resulting in portcos that continue to perform, albeit not quite at the level expected.

Third, there could be misalignment in what support is expected. Some portcos expect a blank cheque to achieve objectives whereas PE firms remain disciplined with their capital deployment with an emphasis on ROI. This hurdle can be alleviated by additional communication, building relationships, aligning strategic direction, and following other management best practices. Additionally, access to critical talent—especially in the core functions of finance, technology, and operations—remains a major barrier for portco CFOs. It causes management teams to be stretched, making execution difficult.

In today's turbulent economic and geopolitical environment, it is unsurprising that portco CFOs may worry that the investment theses of recently acquired businesses may overestimate growth potential or assume aggressive timelines for EBITDA expansion and cost optimization in which dealmaking expectations can be misaligned with market realities.

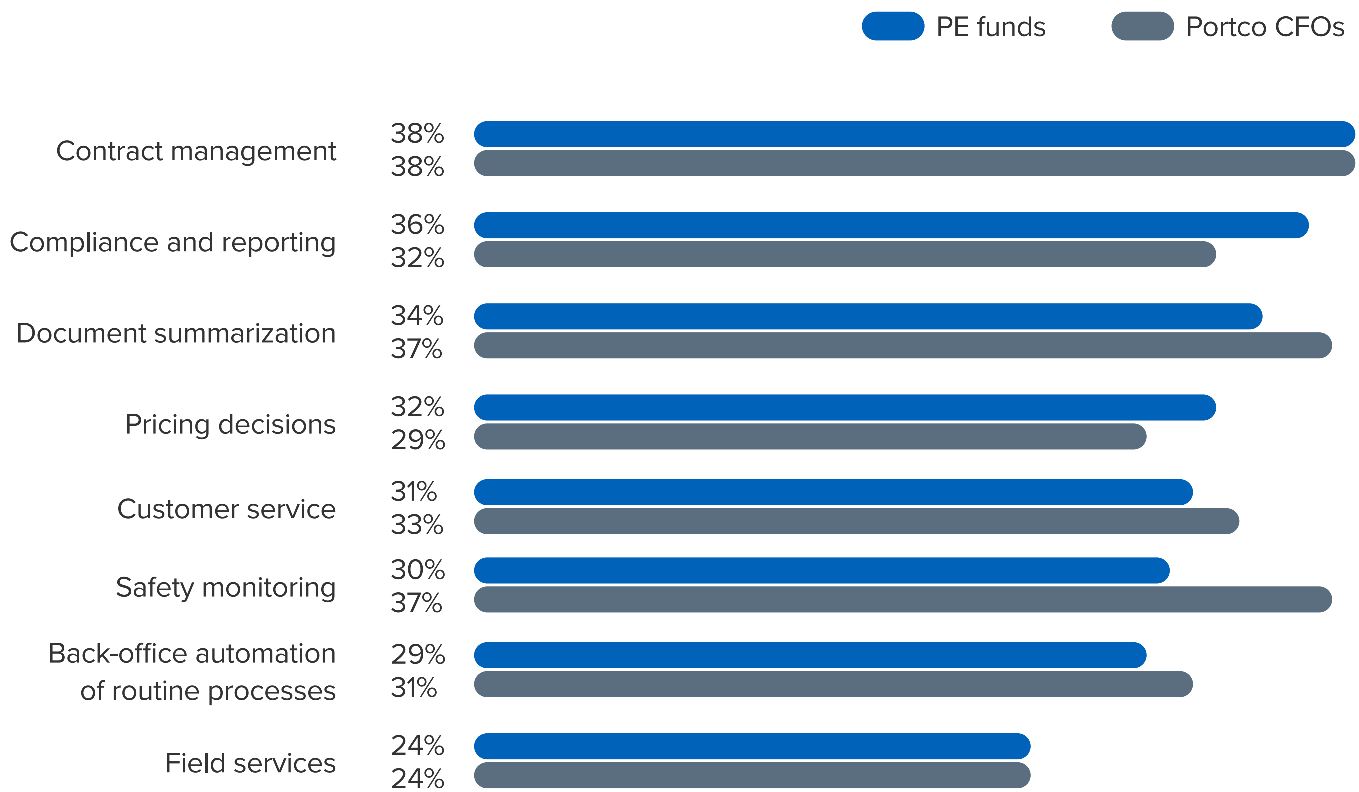
Both PE firms and portco CFOs are coming to the table with the objective of growing the business. However, they are concerned about support from the other for their own strategy. This execution gap is a call to action for both parties to initiate active partnership in which both PE firms and portco CFOs should be involved in a structured execution plan post-close.

As finding senior leadership, finance, and operational talent is a persistent challenge, it is important for PE firms to support targeted recruitment and executive development in order to unlock value. Finally, having realistic targets and constant realignment of expectations with market conditions is necessary for both parties to be successful.

6. Technology adoption

Organizations are increasingly using technology to improve productivity, streamline their product and service offerings, and provide personalized experiences to customers.

Q: Where, if anywhere, do you see the greatest opportunities for AI in your business over the next 12 to 18 months? *(select up to three)*



(Note: the numbers do not add up to 100 as respondents were given multiple answers to choose from)

PE firms' top responses were: contract management (38%), compliance and reporting (36%), and document summarization (34%). Contract management (38%), document summarization (37%), and safety monitoring (37%) were the top responses from portco CFOs.

The results from both PE firms and portco CFOs are very similar as both groups share a common view regarding the value of adopting AI.

Both PE firms and portco CFOs agree that the greatest opportunity for AI is contract management, which can streamline deal execution, risk assessments, and vendor negotiations. Additionally, PE firms say compliance and reporting is the second-greatest opportunity while portco CFOs believe it is safety monitoring, which can include game changers such as AI-driven workplace safety analytics, predictive maintenance, and compliance automation in the manufacturing and logistics sectors.

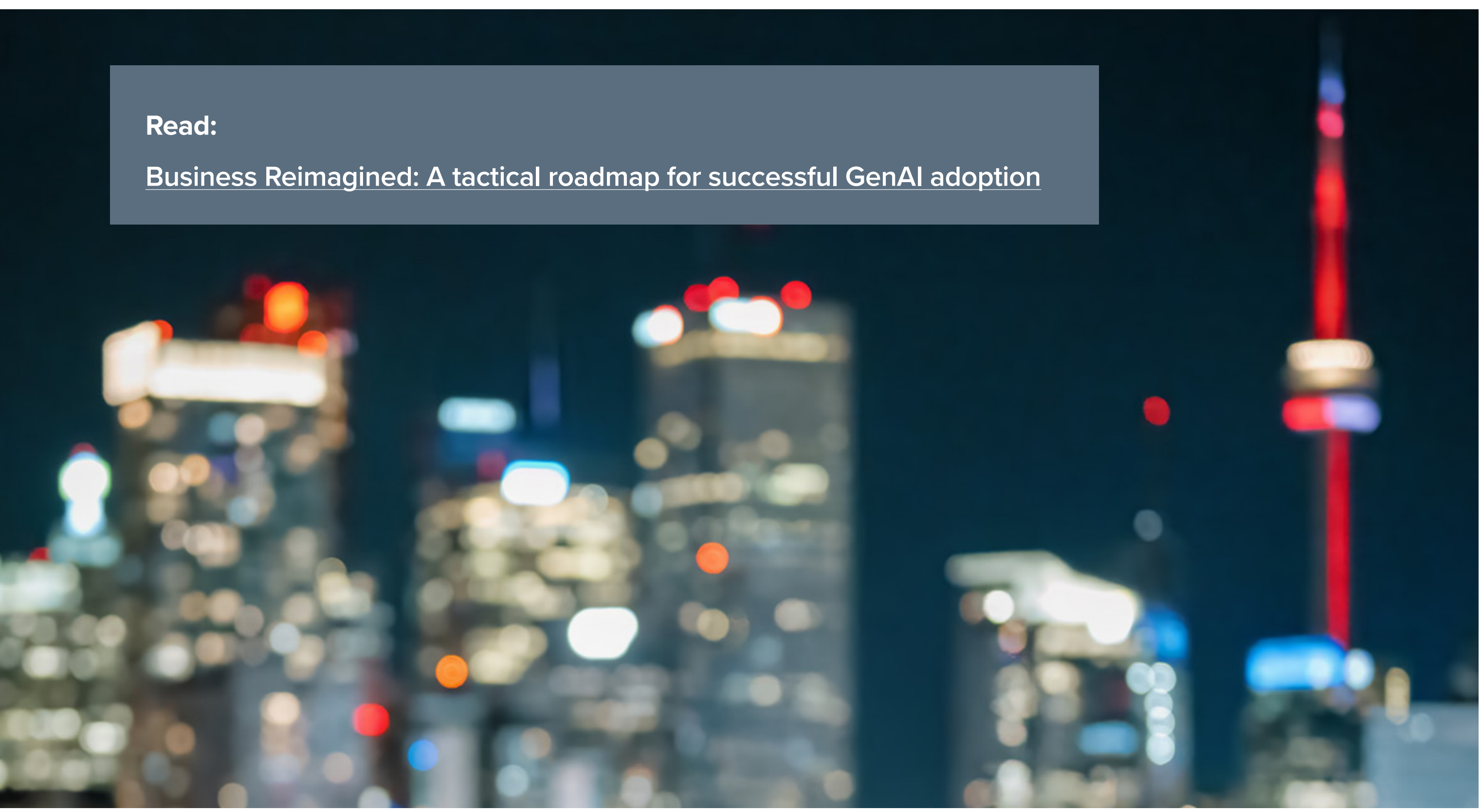
The sophistication and power of AI tools continues to grow, and examples of practical use cases keep expanding. Businesses are finding opportunities for AI to add value across their legal, compliance, and finance operations. To embrace an AI-enabled future, organizations must maintain consistent and repeatable business processes, focus on clean data, and adopt a cloud-first technology approach.

While Canadian businesses continue to lag global counterparts in productivity, the survey data indicates that PE firms and portco CFOs remain committed to investing in technology. Technology implementation and integration ranks at the top of both the biggest challenges and value creation opportunities seen by leaders in the coming year.

Certain PE firms are beginning to invest heavily in data science and technology, citing it as a key differentiator in enabling them to source quality deals as well as effectively manage the dealmaking process. The use of AI requires change and buy-in throughout the organization and it is important for them to embrace technology in order to ensure they don't get left behind. Leveraging technology and automation as a key value creation lever can help address talent shortages while enabling PE firms to stay focused on dealmaking and strengthening partnerships with their portcos.

Read:

Business Reimagined: A tactical roadmap for successful GenAI adoption



Survey and respondents

About the survey

This survey was conducted by Censuswide, an international market research firm based in the United Kingdom. The survey was conducted in late 2024.

Among PE firms, there were 450 respondents comprised of 300 fund managers and 150 operating partners. On average, respondents have been an operating partner or fund manager for 11 years. The average assets under management of their funds were an equal split between $750 million and $5 billion, more than $5 billion to $30 billion, and $30 billion or more.

The types of companies they invest in are as follows:

- Less than $25 million: 13%
- $25 million to $100 million: 22%
- $100 million to $499 million: 34%
- $500 million to $1 billion: 23%
- $1 billion or more: 8%

The industries they invest in are as follows:

- Manufacturing and distribution: 42%
- Real estate and construction: 41%
- Retail and consumer businesses: 38%
- Technology: 32%
- Life sciences: 31%
- Natural resources: 31%
- Healthcare: 29%

There were also 200 portco CFOs who were surveyed, 43.5% of whom were in Ontario, 35.5% in Western Canada, and 21% in Eastern Canada. On average, respondents have been a private equity CFO for 10 years. The average AUM of the PE fund owner was an equal split of under $750 million, between $750 million and $5 billion, between $5 billion and $30 billion, and $30 billion or more.

The top five industries they represented were as follows:

- Technology and life sciences: 30%
- Real estate and construction: 22%
- Healthcare: 19%
- Retail and consumer business: 13%
- Manufacturing and distribution: 11%

How we can help

Our dedicated **Private Equity practice** helps PE firms and their portfolio companies navigate today's complex global business environment across the entire fund lifecycle. This practical team has a profound understanding of the private equity industry, particularly in the Canadian mid-market space. Our people are part of the process at every level, interacting with funds, advising on deals, and working closely with portfolio companies to help them realize their goals.

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