



Strong currency: the strength of Canada's dollar is helping to boost greenfield investments and increase merger and acquisition activity, such as Quebec-based Couche-Tard's purchase of service stations operated by Norwegian oil corporation Statoil for \$3.5bn and CGI Group's acquisition of Logica for \$3.1bn; Brad Duguid (bottom right): the fact that Canada weathered the global crisis in a good shape leads also to a major shift in mentality of Canadian entrepreneurs'

Canada moves onwards and outwards

OPINION IS DIVIDED AS TO WHETHER THE UNPARALLELED INCREASE IN OUTWARD CANADIAN FDI IN 2011 WAS DOWN TO THE COUNTRY'S STRONG ECONOMY OR A DEARTH OF DOMESTIC GROWTH OPPORTUNITIES. EITHER WAY, IT HAS PROPELLED MANY CANADIAN COMPANIES – BOTH LARGE AND SMALL – INTO NEW TERRITORIES. MICHAL KACZMARSKI REPORTS

Global crossborder investment saw only marginal growth in 2011. According to The fDi Report 2012, published in April, the number of crossborder greenfield investments in 2011 increased by just 5.6%. Growth was even more restrained in terms of capital investment, which grew by 1.2%. These numbers would be even lower, however, if not for the unrivalled growth in crossborder investment from one country. Outward investment projects from Canada were up by 42% in 2011, with capital expenditure up by nearly 60%.

"We are definitely seeing many more inquiries from investors interested in expanding their operations," says Brian Parrott, senior trade commissioner at the Canadian High Commission in London. Mr Parrott, who helps Canadian companies that are considering expanding into the UK, says that although this increase in Canadian investment overseas is a multifaceted phenomenon, it is directly connected with the country's strong economy.

"Our market is in a good shape and that

gives Canadian investors confidence to seek growth opportunities elsewhere, without being limited by the situation in their home country," says Mr Parrott.

Brad Duguid, Ontario's minister of economic development and innovation, also cites the country's economic situation as a key factor influencing Canadian investors. "The fact that Canada weathered the global crisis in good shape leads also to a major shift in mentality of Canadian entrepreneurs," he says.

Natural progression

There are those who think that Canada's economy is not as healthy as it could be, however. Indeed, in the first quarter of 2012, Canada's economy grew by 1.9% less than the 2.5% forecasted by the Bank of Canada. "The post-crisis Canadian economy emerged better than most Western economies, [but now] Canadian investors are once again facing a period of extended anaemic growth and low interest rates," says Cenk Sidar, managing director of Sidar Global ▶

COUNTRY PROFILE

CANADA

Population:	34.3 million
Pop. growth rate:	0.784%
Area:	9,984,670 sq km
Real GDP growth:	2.5%
GDP per capita:	\$41,100
Current account:	-\$48.83bn
Largest sector:	Services
Labour force:	18.67 million
Unemployment rate:	7.5%

Source: CIA World Factbook, 2012



Advisors, a US-based strategic advisory firm.

In Mr Sidar's view, the growing trend among Canadian firms expanding abroad is "a natural progression of businesses seeking... to overcome limitations resulting from stagnant Canadian growth".

Another factor contributing to the surge in outward FDI from Canada is the strength of the Canadian dollar. Canadian investors appear to be trying to get the most out of their dime, while they still can.

"The Canadian dollar has appreciated significantly over the past couple of years against all world currencies," says Larry Short, investment advisor and author of *In Short: Successful Investing During Turbulent Times*. "This means that [Canadian] companies can afford to make more investments overseas because our dollars simply have a bigger value."

The strong currency is not only helping to boost greenfield investments but is also increasing the number of mergers and acquisitions involving Canadian firms. Canadian deals in Europe increased by 58% in the first half of 2012, with \$15.1bn-worth of deals making Canada the second most active country for deals in the region, behind the US.

Deals included CGI Group's acquisition of IT management provider Logica for \$3.1bn and Quebec-based convenience store chain Couche-Tard's purchase of service stations operated by Norwegian oil corporation Statoil for \$3.5bn.

Large and small

It is not just Canada's largest companies that are looking to expand abroad. Nor is overseas activity limited to the companies operating within the country's traditional sectors, such as mineral extraction and processing. In fact, software and IT was the top sector for Canadian outward investments in 2011, followed by financial services and metals.

Vancouver-based social media management company HootSuite is one example of a company which, despite still being considered a start-up, has recently decided to increase its presence abroad. In July 2012, the company announced plans to open a European headquarter

in London as well as a branch in Australia.

While HootSuite's CEO, Ryan Holmes, claims that the main reason for the expansion was to extend the company's reach – to attract new clients and growth opportunities – he also admits that access to capital has increased dramatically in the past couple of years, providing more opportunity for investment.

"When I was raising money two or three years ago, it was much more challenging. In order to talk to angel investors or venture capitalists we had to travel to Silicon Valley. Now, we can find them here," says Mr Holmes.

Indeed, HootSuite received a big injection of capital in March 2012. Omers Ventures, an entity created by the Ontario Municipal Employees Retirement System, put \$20m into HootSuite in what appears to be one of the biggest investments made by a Canadian venture capital firm in nearly a decade. Mr Holmes claims, however, that the decision to boost HootSuite's presence abroad would have been made regardless of the funding. "As our product evolves, we are seeking to increase our international client base," he says.

Expanding horizons

The search for foreign customers has not only resulted in an overall increase in crossborder projects from Canada, but also in a shift in investment destinations. In 2007, the majority of Canada's greenfield enterprises were located in the US, France, China and the UK, but in 2011 a number of emerging markets established themselves as attractive locations for Canadian firms.

The most popular of these were located in Latin America and Asia. In 2011, the number of new projects located in Colombia, Vietnam and Singapore increased four-fold compared to 2007, while Brazil attracted six times as many Canadian projects in 2011 as it had done four years previous.

"Investments to the US are up, while outflows into Europe have dropped steadily as a result of eurozone volatility," says Mr Sidar. "Investments into the developing economies in Asia and South America continue to be solid avenues of Canadian investment." ■



[CANADIAN] COMPANIES CAN AFFORD TO MAKE MORE INVESTMENTS OVERSEAS BECAUSE OUR DOLLARS HAVE A BIGGER VALUE

