

Valitas Insight: Looking through the Windshield

“In the business world, the rearview mirror is always clearer than the windshield.”^[1]

But like a good set of wipers, insights from reliable sources can improve that forward looking visibility.

Leading law firms with active M&A practices represent one such reliable source, so when Blakes’ [Mergers & Acquisitions: Trends to Watch in 2017](#) report crossed my desk, it went directly to the top of my reading pile. The article didn’t disappoint, and this week, I’d like to share a couple of the authors’ findings related to government policy, that are likely to drive Canadian M&A forward in 2017.

Canada: A more attractive target for foreign investment

“Now is the time to sharpen Canada’s competitive edge and seek new and innovative ways to attract investment and talent from around the world.” – Government of Canada Fall Economic Statement: Investing in the New Economy

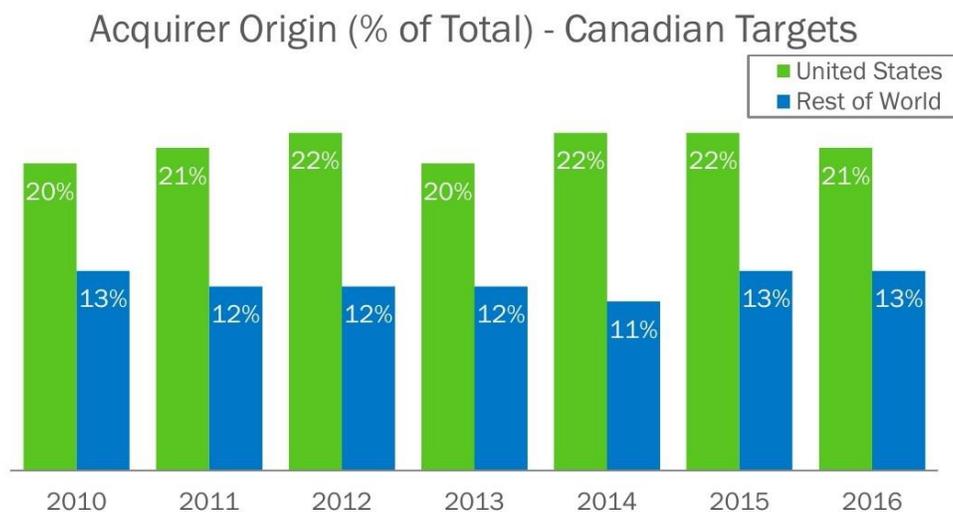
In Fall 2016, the federal government announced several new measures directed at increasing foreign investment in Canada, including:

1. Creating an “Invest in Canada Hub” to promote Canada as an attractive investment destination, as well as to streamline the process for foreign investors;
2. Raising the threshold for foreign investment review under the *Investment Canada Act* from \$800 million to \$1 billion in 2017, two years sooner than the planned date in 2019;
3. Increasing the review threshold for “trade agreement investors”^[2] to \$1.5 billion; and
4. Publishing guidelines to provide clarity for the national security provisions of the *Investment Canada Act* which currently, are very difficult for foreign investors to navigate.

We noted [previously](#) that for the first time since 2013, Canada ranks as one of the top five countries where foreign investors will actively pursue acquisitions^[3]. From

2010 – 2016, foreign investors have comprised 32-35% of Canadian target acquisitions.

We expect that in a world where trade globalization is becoming more controversial, Canada’s welcoming foreign investment climate could drive those numbers higher in 2017 and beyond.



A shared vision with the U.S.: Infrastructure Investment

While our Prime Minister Trudeau and the U.S. president-elect diverge in many of their views, they both prioritize infrastructure spending, which should create investment opportunities in both infrastructure projects and related industries.

In Canada, the federal government has proposed:

1. An additional investment in infrastructure of C\$81 billion over 11 years; and
2. The creation of a new Canada Infrastructure Bank, responsible for investing at least \$35 billion from the federal government into large infrastructure projects that contribute to economic growth through direct investments, loans, loan guarantees and equity investments.

In addition, just to the south, President-elect Trump has pledged to spend US\$1 trillion on American infrastructure over the next decade.

Our strengthening vision for 2017



We've previously discussed our positive expectations for 2017, noting the level of early stage M&A activity towards the end of 2016, as well as current market conditions and our own experience here at Valitas. Our optimism is reinforced by the government's commitment to attracting higher levels of foreign investment and to infrastructure spending, which are likely to generate investment opportunities around related projects and industries.

Our view: the road ahead looks pretty good!