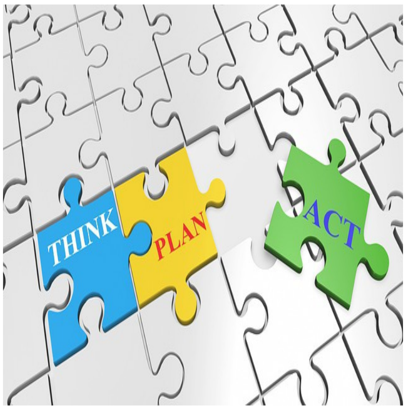

Onex Corporation or Clairvest Group Inc.: Which Is the Better Buy?

Description

Onex Corporation (TSX:ONEX) has a market cap of $10.6 billion, while **Clairvest Group Inc.'s** (TSX:CVG) market cap is one-twentieth the size.

Both operate successful private equity businesses. Both make good investments. If you can only buy one, which should choose? Read on, and I'll tell you.

Why Onex?

The most obvious reason for buying Onex stock is you'll own a piece of one of Canada's largest private equity firms and arguably one of the world's most successful as well.

Since its inception in 1984, Onex has generated an internal rate of return (IRR) for its investors of 28%, well above its private equity peers (17%) and the **S&P 500** (9%).

Also, you get the excellent leadership of CEO Gerry Schwartz, considered one of Canada's best long-term allocators of capital, and rightfully so given Onex's track record.

Founded in 1984 with three people and $50 million in investor capital, it went public three years later and now manages $25 billion in assets — 26% of it Onex's own capital.

Not only does the company generate both management fees and carried interest from its investments, but it's also done a good job buying back its stock. Since 1997, it's averaged an IRR of 15%, paying an average of $22.99 per share — a figure that's well ahead of the TSX or S&P 500 over the past 20 years.

Onex has been busy in 2017.

Onex sold USI Insurance Services for a 34% gross rate of return. It took two companies public: **Emerald Expositions Events Inc.** (NYSE:EEX) in April and **Jeld-Wen Holding Inc.** (NYSE:JELD) in January.

Lastly, it made a significant acquisition in March, buying one of the U.K.'s biggest motor-home campground operators for $2.2 billion.

Year to date, Onex's stock is up 14.5% — well ahead of the TSX and S&P 500.

Why Clairvest?

Clairvest is a much smaller version of Onex, but it's also done well, delivering an annual return over the past 15 years of 13.1%, almost five percentage points better than the TSX over the same period.

Over the past 10 years, Clairvest has grown its book value on a compounded basis by 10.5%, almost two percentage points greater than the S&P 500 — an amazing feat considering its average cash balance over the last decade has been 35%.

In June, Clairvest received the 2017 Canadian Venture Capital Association's Deal of the Year award for its January sale of Cieslok Media Ltd. to **BCE Inc.** for 7.8 times its invested capital. It now has won the industry award five times in the last 10 years.

On the downside, Clairvest announced in June that its investment in Ace2Three, an online Rummy gaming site in India, could be in jeopardy due to the Indian government's desire to outlaw online gambling. Only three months old, it's possible its investment could be at risk, costing the company $56 million on a pre-tax basis.

It's something to continue watching, but Clairvest's management is too good not to have a plan of action in place.

The better buy

Over the past 10 years, Clairvest's stock's outperformed Onex by a little more than one percentage point. However, in recent years, Onex has outdone Clairvest. Year to date, Clairvest is up 18.5%, four percentage points better than Onex.

Like I said in the beginning, both are good investments. However, if you can only buy one, I'd go with Onex because of its size.

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