



## This Leading Private Equity Firm Is Making Big Moves in the Canadian Market

### Description

Canadian private equity firm **ONEX Corporation** ([TSX:ONEX](#)) first came onto my radar earlier this spring when it announced its plans to acquire Canadian investment manager Gluskin Sheff.

Gluskin Sheff was a company that I'd been following [along with several others](#) in the Canadian asset management space, because I thought that it, along with several of its competitors represented solid value for those willing to take on a contrarian approach to their investments.

So I wasn't all that surprised that Gluskin Sheff ended up getting taken out and albeit at a significant premium to its share price at the time but frankly I still didn't know a whole lot about the acquiring company.

Then earlier this month it had come to my attention that Onex, this same company, was at it once again, this time [making a bid to takeover Canada's second largest airline carrier](#), **WestJet Airlines Ltd.** (TSX:WJA) in a private in a deal valued at north of \$5 billion.

As the saying goes "fool me once, shame on you, fool me twice, shame on me."

So I started spending more time researching the company and here's what I've been able to come up with so far.

### Onex is a huge company

Unbeknownst to me all this time, Onex is actually a pretty huge company.

In fact its current market capitalization of just under \$8 billion grossly under-represents its current \$27 billion in assets under management on behalf of institutional investors and high net worth clients.

### 2019 has been a busy year (and that's an understatement)

Not only has 2019 seen it close out the aforementioned Gluskin Sheff and WestJet deals, but it's been

active on several other fronts as well.

Major activity in the first quarter included the establishment of a new proprietary investment in the insurance industry, called Convex, the sale of BrightSpring Health (formerly called ResCare) for net receipts of \$185 million and just last week its sale of the Jack's Family Restaurants, expected to close in the third quarter later this year.

All told, the Jacks investment is expected to realize gross proceeds of \$835 million, including prior paid distributions of \$106 million.

Based on its original Jacks' investment of \$234 million in the summer of 2015, those receipts represent a 3.6 times return on its investment, equal to a 38% average annual gross rate of return.

## Those returns are no joke

However, it's not as if those returns from its recently closed Jacks investment were just some one-off fluke either.

Throughout its 35-year history, the firm has used controlling stakes in private equity investments to effect change through strategic influences, improvements in efficiencies and by helping managers to focus on their most core, profitable business activities.

Those actions have resulted in realizing an average gross multiple of 2.6 times on invested capital and average realized gross returns of 27% annually.

## Time to buy?

Since coming off its 2017 all-time highs, ONEX stock appears to have since found support in the low \$70 per share range, breaking above its 200-day moving average earlier this month, a technical indicator that's often viewed as being important by longer-term investment analysts.

Now could be a good time to begin initiating a position in the company, particularly for those seeking to gain exposure to the rapidly growing alternative asset management space.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:ONEX (Onex Corporation)

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