



Hold This Low-Risk Value Stock for 100 Years

Description

Clairvest Group ([TSX:CVG](#)) is a private equity management firm that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest invests company capital and that of third parties in carefully selected companies that have the potential to generate superior returns. Clairvest also manages third-party capital, provides loans, and earns priority distributions or management fees and carried interest.

Clairvest employs various acquisition entities in structuring investments, all of which are controlled by Clairvest. These acquisition entities are accounted for at fair value. Clairvest has 17 core investments in six different industries and four countries. Clairvest recently completed three successful portfolio exits plus an agreement of sale for a fourth exit.

The company closed on two new platform investments and supported investment partners with 19 add-on acquisitions and worked through several complex situations to position portfolio companies for better performance.

The company has [generated impressive returns](#) over the years, which were achieved primarily from fundamental value creation and significant earnings before interest, tax, depreciation and amortization (EBITDA) growth during the holding period, as opposed to multiple expansion from the frothy market conditions that have predominated the private equity industry for the last few years.

In addition to portfolio sales, Clairvest also completed the sale of the general partner position in Wellington

Financial, a venture loan provider to technology and life science companies across Canada and the United States. The company helped launch Wellington Financial in 2000, and since then Wellington Financial has become a leader and has grown to finance well over 100 North American-based growth companies.

[Portfolio company exits](#) and the Wellington Financial transaction drove a material lift to Clairvest's book value. Over the past 10 years, Clairvest's book value has grown at a compounded annual growth rate of 11.2% after tax,

despite an average cash balance of 42%. In contrast, the S&P 500 has delivered 7.2%, pre-tax, reflecting solid outperformance by Clairvest on an absolute and, particularly, a risk-adjusted basis.

Clairvest recently participated in the Ontario Lottery and Gaming Corporation privatization process of some assets. Clairvest also recently entered the renewable energy space with an investment in Also Energy, a leading provider of solar monitoring software and hardware. The company is contributing growth capital to support the co-founders of the company through its next phase of growth.

Clairvest has \$640.7 million of capital available for future acquisitions through cash, cash equivalents, and temporary investments and credit facilities. The company, however, believes that valuations are high and competition is fierce for private equity investments. Management has indicated that they will continue to employ a disciplined approach to reinvest the treasury funds in new investment opportunities and to further support existing investee companies.

Clairvest's current management team has made 50 platform investments and has realized or partially realized on 32 investments, which have in aggregate generated 3.1 times invested capital. Clairvest's team of professionals have all invested significant amounts of capital in the company, which allows Clairvest to approach each investment as owners and shareholders.

As a long-term investor, Clairvest is focused on building value in portfolio companies by contributing strategic expertise, advising on operational improvement and helping its investee companies capitalize on new opportunities that arise.

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Date

2025/08/26

Date Created

2019/12/10
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