

CVCA Annual Conference

Liquidity: What does the future hold ?

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2010 To-Date

- Year started strong
 - Institutional private placements
 - Adenyo (Silverback) \$17mm
 - NexJ Systems \$22.5mm
 - 53 US IPO filings in Q1
 - IPO market in Canada appeared to be emerging

- However ... IPO market for Canadian tech/cleantech companies has been challenging ...
 - Deferred – Lulu, Netmotion
 - Completed – Mitel, Biox
 - Increased number of foreign companies seeking to list in Canada
 - Few Canadian companies with confidential filings in US

Tech M&A Themes

- Potential tech acquirers are cash-rich
- PE firms re-emerging as legitimate bidders
- Many valuations remain inexpensive to reasonable
- Companies that had cut staff / investment during recession may have to make acquisitions to meet top-line growth expectations
- Rising interest in MBO / privatizations of small-cap / illiquid names
- Relative value strategic deals

IPO Market – Emerging Themes

- IPO cycles / windows happening faster and faster
 - Increased importance of being “ready”

- Pool of public market money / investors in Canadian has shrunk dramatically
 - Rising importance of US, international and retail markets to get deals done

- Define success broadly – keep all liquidity options open
 - Dual / multi-track processes becoming increasingly popular

- Investors need to have compelling rationale to own stock