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FOR IMMEDIATE RELEASE

**CANADA'S VENTURE CAPITAL MARKET IN Q1 2011:
INVESTMENT LEVELS FLAT, FUND-RAISING CONTINUES TO LAG**

TORONTO: Canadian venture capital (VC) market investment activity in Q 1, 2011 held on to the moderate gains of 2010, but failed to match growth in the United States, in large part because of the continued slow pace of fund-raising. This was one of several major findings of data released today by Canada's Venture Capital & Private Equity Association (CVCA) and research partner Thomson Reuters.

The data reveal that VC invested across Canada totaled \$315 million between January and March, up marginally from \$311 million invested in Q1 2010. Dollar flows went to 111 innovative companies in this period, which is unchanged from the year before. In contrast, deal-making in the United States rose more substantially. Disbursement levels totaled US\$6.1 billion in the American market in the first quarter of 2011, or 19% more than the US\$5.2 billion invested at the same time last year.

Amounts invested per domestic firm averaged only \$2.8 million in Q1 2011 – consequently, companies in Canada captured a mere 36% of the dollars going to VC-backed companies in the United States.

“High-growth technology firms in Canada continue to be starved of the value-added risk investment needed to realize their potential, and to compete with comparable high-growth firms on a global basis”, said Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial. “In the fiercely competitive world of technology startups, “time-to-market” is the imperative. Without adequate deal capitalization, many Canadian entrepreneurs with great ideas and great companies are in danger of losing the race.” added Mr. Smith.

Mr. Smith pointed to lagging VC fund-raising trends in Canada as being critical to this issue. New commitments to VC funds totaled \$217 million between January and March, which is 44% below the \$386 million committed at the same time in 2010. Over the same period, fund-raising activity in the United States saw a 76% gain, with new capital committed totaling US\$7.1 billion in Q1 2011.

“To finance Canadian innovative companies across all cycles of growth, our VC industry requires the resources that come from continuous fund-raising at more sustainable levels. This is not the direction of current trends, nor has it been for several years now”, said Mr. Smith. He added: “If we wish to guarantee Canada a prosperous economic future based on thriving knowledge-based businesses, then long-standing challenges to VC supply must be swiftly and effectively addressed.”

The report found deal-making in Ontario and Western Canada contributed most to domestic market trends in the first quarter. Ontario VC activity showed growth in this period, with

disbursements increasing 11% from the year before. In contrast, dollar flows to Québec VC-backed firms were decreased 19%.

Most VC investor attention was paid to emerging communications and other IT sectors in Canada between January and March, with \$150 million invested, or 48% of the total, and up 21% from Q1 2010. In contrast, deal activity in Canadian clean technology and life sciences sectors fell 24% and 33%, respectively.

The statistics also point to both domestic and foreign investors as having been moderately more active in the Canadian market in Q1 2011. Canadian VC funds deployed \$214 million in this period, up slightly from the year before. Similarly, American VC funds and other foreign investors brought \$100 million to deals, or 3% more than in Q1 2010.

CVCA

The CVCA - Canada's Venture Capital & Private Equity Association, was founded in 1974 and is the association that represents Canada's venture capital and private equity industry. Its over 1800 members are firms and organizations which manage the majority of Canada's pools of capital designated to be committed to venture capital and private equity investments. The CVCA fosters professional development, networking, communication, research and education within the venture capital and private equity sector and represents the industry in public policy matters.

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To arrange an interview with Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial, contact Lauren Linton, Director of Marketing, 416 487-4299 llinton@cvca.ca .

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