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FOR IMMEDIATE RELEASE

CANADA'S VENTURE CAPITAL & BUYOUT INDUSTRY IN Q2 2010: Some Positive Signs

TORONTO: Activity in Canada's venture capital and buyout markets continued at a measured pace in the second quarter of 2010, according to the industry's statistical report released today by the CVCA-Canada's Venture Capital & Private Equity Association and research partner Thomson Reuters.

"Both venture capital and private equity are showing signs of increasing activity", said Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial, " Underscoring the increase in investment activity is a broad range of exciting opportunities to grow and expand high quality businesses in Canada."

VENTURE CAPITAL

Venture capital activity in Canada's innovative firms increased modestly in the first half of 2010. Several positive developments in the first half of the year have contributed to a cautiously optimistic outlook, including increases in dollars invested, both on a per company and overall basis, with the gaps between Canada and the United States narrowing. As well, the international deal activity of Canadian VC funds also increased in the second quarter. However, VC fundraising continues to pose a challenge, the Canadian market continues to be outpaced by the US market by a factor of 35, and investment levels are still down significantly from only three years ago.

"There are some interesting signs of stabilization in the venture industry but significant concerns still remain," said Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial. "And it is good to see increased investment in sectors such as clean tech that can provide leadership in innovation for Canada."

Venture capital (VC) activity grew in the second quarter of 2010, with \$334 million invested in total, nationwide, or 57% more than the \$213 million invested the year before. Indeed, Q2 2010 saw the first substantial increase in dollars invested in the Canadian VC market in over two years.

Despite this growth, longer-term trends suggest a continuing slow pace. Owing chiefly to Q2 2010 outcomes, a total of \$643 million has been invested to date this year, including investments by 57 Canadian funds. While this is up 31% from \$492 million invested in the first half of 2009, it is down 10% from \$712 million invested in the first half of 2008 – the first year of the current market slowdown – and down 37% from \$1.0 billion invested in the first half of 2007.

In contrast with disbursement flows, the number of Canadian companies financed by VC between April and June was generally unchanged on a year-over-year basis. VC-backed firms totaled 107 in this period, as compared to 108 firms in Q2 2009. This points to the importance of larger VC deal sizes as a driver of market trends in the second quarter. Amounts invested per company averaged \$3.1 million, up from \$2.0 million on average the year before.

However, somewhat larger domestic VC financings did little to reduce the competitive gap between Canada and the United States. The data show that since the beginning of 2010, Canadian innovative firms have captured only 44% of the venture capital dollars invested in American firms.

New commitments to Canadian VC funds were somewhat lower in the second quarter of 2010, with \$255 million committed in total, or 7% below the \$274 million of one year ago. However, due to a more robust Q1 2010, fundraising activity to date this year, totaling \$576 million, is 18% ahead of the \$489 million registered in the first half of 2009.

“The fundraising challenges facing the venture capital industry today are critical for enduring growth of the industry because it is capital that ultimately drives future investing volumes.” Added Mr. Smith.

BUYOUT

Halfway through the 2010 year, Canadian funds stepped up their activity levels with more dollars invested both domestically and abroad.

The first half of the year has been marked by an increase in the activity of Canadian investors. For the fourth straight quarter, Canadian funds have been investing more in both Canadian and foreign companies, with a total of US\$419 MM invested domestically and US\$278 MM abroad in the quarter. Despite increasing investment activity by Canadian firms domestically, investment in Canadian companies by foreign firms declined slightly: US\$479 MM was invested by foreign funds in Q2, down 13% from the US\$549 MM invested a year ago.

“These figures indicate that the Canadian buyout market continues to strengthen largely as a result of increased investments by Canadian funds both here and abroad.” said Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial. “The strong fundraising record of the last three years is now being deployed to take advantage of business opportunities at home and across the globe.”

There were 54 completed and pending buyout transactions in Canada in the first half of 2010, 23 of which had disclosed values totaling of US\$1.71 billion. This compares to 52 completed and pending buyout transactions in Canada in the first half of 2009, 26 of which had disclosed values of US\$0.9 billion. This represents a healthy 91% increase in investment levels as compared to a year ago.

Growth in Canada, however, lagged that of the rest of the world. Worldwide, dollars invested in private equity buyouts have more than doubled over the same period past year, while such activity in the United States has tripled.

Deal volumes have remained comparatively steady. The number of Canadian companies receiving private capital in the first half of 2010 has increased 4% over a year ago, while American and worldwide deal volumes have increased by 15% over the same period.

Buyout fundraising continued at a steady pace, with \$346 MM raised in the first half of the year by 4 funds. This nearly doubles the \$176 MM raised by 2 funds in the first half of 2009.

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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