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FOR IMMEDIATE RELEASE

**CANADA'S VENTURE CAPITAL MARKET IN Q3 2011:
VC INVESTED GROWS 51%, SUPPLY GETS A BOOST**

TORONTO: After a comparatively slow first half of 2011, venture capital (VC) market activity in Canada made gains in the third quarter, with particularly substantial year-over-year growth in dollars invested. This was one of several findings of a statistical report released today by CVCA-Canada's Venture Capital & Private Equity Association and research partner Thomson Reuters.

According to the report, Canadian VC invested totaled \$388 million between July and September, up 51% from the same time in 2010. Higher disbursement levels went to 137 companies, up 27% over the same period. This occurred following two quarters of more moderate trend lines in the domestic VC market, especially as compared to activity in the United States.

As a result of Q3 2011 activity, Canadian VC deal-making reflected more considerable year-to-date expansion. Dollar flows totaled \$1.1 billion at the end of September, up 30% from the \$882 million invested during the first nine months of 2010.

"It is encouraging to see healthier levels of venture capital investment in Canada at this point", said Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial Corp. "And it is gratifying that the year-over-year growth in dollars invested has been spread across entrepreneurial firms in key innovative sectors – communications and information technology, life sciences, and clean technology," he added.

The report found most Canadian technology sectors benefited from higher levels of VC activity in the third quarter. IT-related activity continued to lead, with \$177 million invested, up 31% from the year before, while life sciences sectors secured \$106 million, up 83%. Taking \$43 million invested between July and September, clean-tech activity also increased from the same time last year.

Mr. Smith also expressed some caution about interpreting Q3 2011 trends. "As positive as these developments are, venture capital investment in Canada still has quite a distance to go to approximate market conditions south of the border", he said. "Even with the growth in disbursements in the most recent quarter, Canadian innovative firms receive only 40% of the dollars going to their competitors in the United States."

Mr. Smith added: "There is a critical link between Canada's venture capital financing gap with the United States and our capacity to achieve knowledge-based economic and employment growth. For this reason, we must work together with all stakeholders to close this gap."

Canadian VC fund-raising activity also had more traction in the third quarter, with new commitments totaling \$365 million, up from a mere \$47 million committed in Q3 2010. This took place on the heels of particularly sluggish activity in the first half of 2011. Consequently, fund-raising at the end of the first nine months, totaling \$739 million, was found to be tracking activity

the year before, when \$741 million was raised. To date, 38% of VC supply has come from individual investors, 24% from pension funds, and 15% from government sources.

“The uptick in fund-raising is welcome news, however, it must be recalled that levels of activity in both 2011 and 2010 remain low by historical standards”, said Mr. Smith. “In particular, new supply going to venture capital partnerships has shown little improvement to date”, he observed, “a situation that undermines the ability of seasoned Canadian investors to bring value-added risk financing to technology startups.”

Other report findings included robust VC deal-making in British Columbia, Alberta, Québec and Nova Scotia in Q3 2011. Québec took the top spot, with \$145 million invested, or 81% more than the year before. On the other hand, there were fewer realizations of Canadian portfolio assets this time around, among them a single VC-backed IPO, which is only the second so far this year. The total number of completed exits in the first nine months stood at 18.

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 1900 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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