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FOR IMMEDIATE RELEASE

**CANADA'S VENTURE CAPITAL MARKET IN 2010:
INVESTMENT GROWS 10% IN 2010, BUT FUND-RAISING HITS 16-YEAR LOW**

TORONTO: Venture capital (VC) market activity in Canada edged upwards in 2010, with deals and dollars invested rising compared to 2009. However, continued financing of innovative companies has become increasingly threatened by the on-going decline in VC fund-raising, according to statistics released today by CVCA- Canada's Venture Capital & Private Equity Association and research partner Thomson Reuters.

The data reveal that Canadian VC deal-making increased moderately in 2010, with \$1.1 billion invested in total, up 10% from the year before. The number of companies financed, totaling 354 last year, also grew a moderate 5% over this period.

The year-over-year increase in disbursement levels was the first since 2007. However, VC activity has yet to approach the \$1.4 billion invested in 2008, the first year of the most recent market downturn. What's more, VC invested in Canada as a percentage of Gross Domestic Product (GDP) continued in 2010 to lag – by more than half – VC invested in the United States as a percentage of GDP.

Growth in Canadian market activity last year was located chiefly in Ontario, British Columbia and Alberta. In particular, Ontario bounced back from a disappointing 2009, with \$424 million invested in 2010, up 43%. Québec-based VC activity, which saw growth the year before, instead fell 9% in 2010.

While most dollars continued to flow to IT sectors, which accounted for 42% of the total invested last year, it was deal activity in clean technology and life sciences that spurred overall market growth. Life sciences companies captured 38% more VC than in 2009, and clean-tech companies racked up their largest share on record: 17% of all disbursements.

“While high-growth, entrepreneurial firms in Canada raised a modestly greater amount of risk capital in 2010 than in 2009, demand continues to outstrip supply”, said Gregory Smith, President of the CVCA and Managing Partner, Brookfield Financial. “We can only truly move forward when innovative companies are being financed at the same levels as global competitors” added Mr. Smith, who noted that VC-backed firms in Canada attracted only 39% of the dollars going to firms in the United States in 2010. “Closing this gap,” said Mr. Smith, “is critical to ensuring that the future growth prospects of young, dynamic Canadian firms are not compromised.”

The data show that both domestic and foreign VC funds were more active in Canada in 2010. Canadian funds invested \$811 million, up 11% from 2009, while foreign investors brought \$331 million to deals, up 6%. However, VC deal sizes averaged only \$3.2 million last year, which is almost unchanged from 2009.

Like deal-making, exits from VC fund portfolio investments underwent a rebound in 2010. Acquisitions of Canadian-based companies and other exits totaled 31 last year, up 24% from the year before. However, there was only one initial public offering of a VC-backed company in 2010, which is unchanged from both 2009 and 2008.

Canadian VC fundraising was especially weak last year. New commitments to VC funds totaled \$819 million, down 24% from 2009, and the lowest per-annum level reached in the Canadian market in 16 years. A key factor in the year-over-year drop was a relative shortage of major new VC partnership closings.

“Fundraising continues to be the major challenge facing the venture capital industry,” said Mr. Smith, “ Without a fully-funded domestic industry, the future prospects of thousands of innovative firms that depend on a steady, reliable flow of venture capital investment to grow and prosper will be compromised”, added Mr. Smith. “Unless the current situation is reversed it will become increasingly difficult for high-growth firms to secure the capital they require to grow, and Canada will lose out on development of the innovative, highly-productive economy that is the basic precondition for sustainable job creation.”

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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