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**FOR IMMEDIATE RELEASE**

### **Canadian Venture Capital Activity Increases in Q3 2003**

Investment activity in Canada's venture capital industry increased in the third quarter of 2003 compared to the two previous quarters, according to the latest industry statistics released today by Macdonald & Associates and the CVCA — Canada's Venture Capital and Private Equity Association.

Capital invested by the industry in the third quarter rose to \$361 million, up from the \$238 million disbursed in Q2. Despite the quarter over quarter increase, funding levels in 2003 continue to be significantly lower than in the corresponding quarter of 2002, when \$563 was invested.

“Investment activity in 2003 continues to be low compared to last year, as measured by the total amount invested and also as measured by the average deal size” said Dr. Robin Louis, President of the CVCA. “However, an optimistic view of the investment activity for the past three quarters is that the decline has slowed or stopped and this may indicate that we are at, or near, the trough of investment activity.”

A total of 191 companies received financing in Q3, which is similar to the 196 firms funded in the prior quarter and 216 companies funded in the corresponding quarter last year. An important change in this quarter versus one year ago is the reduction in large deals. Investment rounds over \$20 million accounted for only \$28 million of investment in the quarter ended 30-Sep-03 whereas these large rounds totaled \$128 million of investment activity in last year's corresponding quarter. As in the past, participation in Canadian deals by foreign investors mirrors the investment in these large deals as the foreign investors typically are major participants in the large deals.

The US has recently had relatively stable investment activity, with the past 4 quarters showing investment activity of US\$ 4.3, 4.1, 4.6, and 4.2 billion respectively (Thomson Venture Economics). “It appears that US venture investment activity has stopped declining and found its new norm” said Dr. Louis. “In the last 3 quarters, Canadian investment activity seems to be mirroring this stable US trend, perhaps suggesting that the decline in Canada has also stopped. After a tumultuous past few years, when investment skyrocketed and then fell precipitously, venture investment in Canada seems to be settling into a stable, albeit relatively low, level of activity.”

Fund-raising during the quarter was also at a relatively low level, with only \$150 million being added to industry stocks in the third quarter, the bulk of which is attributable to LSVCCs. With only \$1.3 billion raised to date in 2003, new commitments to Canadian venture funds are not expected to match the \$3.2 billion achieved at the end of last year.

#### Canadian Venture Capital Association (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 850 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 tax and regulatory matters.

Macdonald & Associates Limited

Macdonald & Associates Limited is an information company tracking the fundraising and investment activities of more than 200 venture capital and private equity investors across the country. Its proprietary database is now available online through VCReporter™. Twice a year Macdonald & Associates co-hosts the Canadian IT Financing Forum, which brings together many of Canada's leading fast growing IT companies with most of the country's IT focused venture investors.

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