



CANADIAN VENTURE CAPITAL ASSOCIATION (CVCA)
ASSOCIATION CANADIENNE DU CAPITAL DE RISQUE (ACCR)



February 25, 2003

FOR IMMEDIATE RELEASE

CANADIAN VENTURE CAPITAL INVESTING STRONGER THAN EXPECTED

Q4 2002 activity up 51% from Q3 2002

TORONTO: In a year of market correction and investor caution, Canada's venture capital industry showed signs of vigour, especially in the final months of 2002, as shown in the 2002 figures released today by the Canadian Venture Capital Association (CVCA) and Macdonald & Associates in their annual report of the activities of 150 venture capital investment firms and partners.

By the end of December, total amount invested in Canadian companies totaled \$2.5 billion, achieved in part because of a last burst of technology-intensive activity in Q4, when \$754 million was disbursed, up by an impressive 51% from the \$500 million of the third quarter. Q4 also represented the highest rate of transactional activity all year, bringing the year-end aggregate to 677 companies financed.

Total 2002 disbursement levels were down by 35% from \$3.8 billion in 2001, and most closely resemble those last seen in 1999. Activity in the Canadian industry continued to prove stronger than the United States where fourth-quarter investment stayed flat and year-end capital invested in the United States, totaling \$US21.2 billion, was only half of the \$US 41.3 billion recorded in 2001.

"I am pleased with the positive trends recorded over the last two quarters," said Brad Ashley, President of the CVCA and Managing Partner of PRIVEQ Capital Funds. "These results reflect the cautious optimism expressed by our membership". Mr. Ashley also noted that "there seems to be a definitive shift from solely focusing on problems within portfolios to identifying new investment opportunities - both inside the portfolio and outside of it."

Communications and networking still emerged as the sector of choice, attracting 27% of all disbursements, followed by life sciences, which captured 19%. In addition, while the activity of American venture funds, strategic corporate funds and other foreign investors in this country declined by 40% from \$1.1 billion last year to \$650 million this time around, their share of total capital invested remained relatively constant, at 26%, suggesting their continuing interest in Canadian deal opportunities. Canadian investors and their partners generally preferred existing portfolio firms in 2002, as well as companies at an early stage of development.

"Given the difficult environment facing the venture community in their own country, it is encouraging that US VCs are still accounting for a significant share of the activity in Canada" said Mary Macdonald, President and CEO of Macdonald & Associates Limited. "Their willingness to participate in sizable follow-on rounds in existing portfolio companies is a real vote of confidence in the technology and management of these companies and in their Canadian venture capital partners."

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Fund-raising also slowed in aggregate terms in 2002, but was more broadly based than in 2001. New capital commitments totaled \$3.2 billion, with LSVCCs accounting for \$1.7 billion. However, the most compelling story resided with private-independent funds, which raised \$1.1 billion, or more than double their \$483 million of last year. New supply contributed to growth in industry's total pool of capital under management, which finished 2002 at \$22.5 billion. The pool of liquid capital (available for investment) also rose to \$7.4 billion.

*OTHER SURVEY FINDINGS:*DISBURSEMENTS BY SECTOR (Cdn \$mill)

	2002	2001
Biotechnology	286 (12%)	484 (13%)
Medical/Health Related	176 (7%)	167 (4%)
Communications	673 (27%)	1033 (27%)
Computer Related	384 (16%)	686 (18%)
Internet Related	153 (6%)	452 (12%)
Electronics	382 (15%)	500 (13%)
Other Technology	134 (5%)	141 (4%)
TOTAL TECHNOLOGY	2188 (89%)	3463 (91%)
Consumer-related	121 (5%)	192 (5%)
Manufacturing	102 (4%)	87 (2%)
Miscellaneous	55 (2%)	58 (2%)
Total Traditional	278 (11%)	337 (9%)
TOTAL	2466 (100%)	3800 (100%)

INVESTMENT BY REGION (Cdn. \$mill)

	2002	2001
British Columbia	251 (10%)	514 (14%)
Alberta	85 (3%)	88 (2%)
Saskatchewan	47 (2%)	14 (0)
Manitoba	27 (1%)	44 (1%)
Ontario	1291 (52%)	2107 (55%)
Quebec	722 (29%)	984 (26%)
Atlantic Canada	43 (2%)	49 (1%)
Total Canada	2466 (100%)	3800 (100%)

INVESTMENT BY STAGE (Cdn \$mill)

	2002	2001
Early Stage	1047(42%)	2318 (61%)
Acquisition/Buyout	76 (3%)	283 (7%)
Expansion	1272 (52%)	1106 (29%)
Turnaround	5 (0)	3 (0)
Other	66 (3%)	90 (2%)
Total	2466 (100%)	3800 (100%)

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The CVCA and Macdonald & Associates have been tracking the activity of the Canadian venture capital industry together since 1991 and release comprehensive data on that activity four times per year.

Canadian Venture Capital Association (CVCA)

The CVCA represents the venture capital and private equity industry in Canada and promotes the development and advancement of Canadian businesses through the use of venture capital. The CVCA fosters professional development, networking, communication, research and education within and outside the venture capital industry and represents the industry in tax and regulatory matters. The CVCA currently has over 800 members across Canada.

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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