



FOR IMMEDIATE RELEASE

CVCA Releases Comprehensive Study on the Impact of Venture Capital in Canada on Economy, Jobs & Innovation

TORONTO, ON, January 15, 2009 – Canada’s Venture Capital and Private Equity Association (CVCA) today issued a groundbreaking, comprehensive report on the vital role that venture capital plays in the Canadian economy – its structure, functioning, economic impact and comparisons with foreign venture capital sectors. The report was co-sponsored by the CVCA, the Business Development Bank of Canada (BDC), Industry Canada and provincial government partners.

“Venture capital is a key driver of job creation, economic growth, new technologies and innovation in Canada,” said Gregory Smith, President of the CVCA, and President, Macquarie Capital Funds Canada Ltd. “Yet Canada’s venture capital investment has declined relative to foreign markets in recent years – a trend that will only worsen with the downturn in the economy and credit markets. The federal budget provides an important opportunity to support venture capital investment, which can help to bolster the economy and create value-added, high-tech jobs for the future.”

“Venture capital managers bring a unique approach to financing and management that is critical to start-ups in the technology sectors,” said Dr. Gilles Duruflé, the study’s author. “This study also shows the ‘snowball’ effect of venture capital has been extremely valuable to the economy, as successful ventures reinvest and apply their knowledge, research discoveries, capital and entrepreneurial experience.”

“BDC Venture Capital works with promising start-ups and venture capital backed enterprises across the country,” said Jacques Simoneau, Executive Vice President, Investments, of the BDC. “This report gives a clear picture of the industry’s impact and the opportunity to capitalize on the research and innovation already being developed in labs and universities across Canada.”

Key findings of the report include:

- The 1,755 venture capital-backed companies in Canada generate sales of \$18.3 billion, employ 63,955 Canadians (17,760 abroad), and generate another 83,549 indirect jobs in Canada
- They export 70% of sales – four times the export ratio of the total Canadian private sector
- The gap between venture capital investment in Canada and in the U.S. is widening. Between 2003 and the end of third quarter 2008, venture capital investment in the U.S. increased by 17%. In Canada, venture capital investment declined by 35% over the same period. This disparity suggests a weakening venture capital industry in Canada which has a direct impact on the overall long-term health of the Canadian economy

- These numbers show not only that Canadian venture capital is falling behind the U.S. but that Canada is foregoing opportunities to capitalize on R&D, innovation and potential economic growth as a result. Based on comparison with the U.S. sector, the economic benefits of venture capital investments in Canada could be at least doubled

“It is essential that governments, investors, venture capital funds and entrepreneurs work together to build a strong Canadian venture capital industry,” added Mr. Smith. “The CVCA will continue to work with all partners to advance solutions with the potential to boost the Canadian economy.”

Late last year, the CVCA called on the federal government and all parties to consider measures that would spur investment in innovation and venture capital, including: improving the Scientific Research and Experimental Development tax credit program; setting up a third-party managed fund of funds similar to those established in Alberta, B.C. and Ontario; government procurement/offsets to encourage investment in Canadian venture capital funds; and incentives for corporations to invest in Canadian venture capital funds, where such investments would receive the same tax treatment currently available for in-house R&D.

The CVCA – Canada’s Venture Capital and Private Equity Association – was founded in 1974. Its more than 1,600 members include venture capitalists, institutional investors, corporate investors, private equity investors, angel investors, as well as advisory members who provide services in such areas as law, finance, executive search, investment bank, insurance, consultants, advisors, government and academia.



BDC Venture Capital is a major venture capital investor in Canada, active at every stage of a company's development cycle, from seed through expansion. Its focus is on technology-based businesses with high growth potential that are positioned to become dominant players in their markets. Established in 1975, BDC Venture Capital has invested in over 400 firms to date. It currently manages some \$500 million in venture capital investments in the life sciences, telecommunications, information technology, and advanced technology sectors, as well as investments in funds. Visit www.bdc.ca for more information.

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For more information about the CVCA and the full report visit www.cvca.ca.

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