



Canadian venture capital continues strong run, private equity rebounds in Q3, 2015 - CVCA report

VC disbursements on pace to meet or exceed last year's total, PE deal value more than tripled from Q2 to Q3 2015

November 12, 2015 – Toronto, ON – Canadian venture capital (VC) investment is on pace for another strong year, while the private equity (PE) market lags behind last year's total deal value for the same period despite an explosive rebound in 2015 Q3. These are some of the main findings from the Canadian Venture Capital & Private Equity Association's (CVCA) private capital market activity reports for the first nine months of 2015 released today.

VC investment was strong over the first nine months of 2015 with 410 completed deals, capturing \$1.6 billion - a 31 per cent increase in deal volume, and 15 per cent increase in disbursements over the same period last year.

While ICT continues to be the driving force of overall VC investment capturing 58 per cent of total disbursements for the first nine months of 2015, the life sciences sector is playing an increasingly important role. Life science disbursement volume surged by almost 70 per cent from Q2 (\$303 million) to Q3 (\$511 million) and represents 31 per cent of total disbursements for the first nine months of 2015 (compared to 23% of total disbursements in 2014).

Other insights from the report reveal that VC fund raising in 2015 has already surpassed last year's total (2015 = \$1.3 billion vs. 2014 = \$1.2 billion), and there's a trend toward early-stage investing which has captured the majority (52%) of investments at \$843 million to date. Early-stage investing captured 33% of total investments in 2013 and 40% in 2014.

While PE activity roared back to life in Q3 with an explosive 355 per cent growth in deal value over Q2, overall deal value lags totals from the same period last year. PE deal value in 2015 Q3 jumped to \$8.4 billion after a very slow Q2 which generated less than a quarter of that amount (\$1.8 billion). To date there have been 260 deals in 2015, worth \$16.3 billion in deal value compared to 228 deals and \$19.2 billion for the same period last year. The oil, gas and energy sector remains the driving force over the first nine months of 2015 with 30 deals worth \$8.2 billion (12% of volume and 50% of the total deal value).

In terms of deal types, Growth is down approximately 75 per cent from totals in 2014, while the decline in Add-ons (down 90% in share) is attributable to one large deal (i.e. the \$11.8 billion Tim Hortons deal) in 2014. However Infrastructure is up dramatically from totals in 2014.

"We're seeing a sustained uptick in venture capital that shows this is now a \$2 billion plus and growing business in Canada, which is a significant milestone for this industry," said Mike Woollatt, CEO, CVCA. "While we didn't expect a repeat of 2014 in private equity given last year's record-setting pace, 2015 is still going to be a banner year in terms of private equity investments."

VENTURE CAPITAL:

- [Click to view](#) first nine months of 2015 VC market activity infographic
- [Click to view](#) first nine months of 2015 VC market activity report

Highlights:

First nine months of market activity saw 410 disclosed VC deals with \$1.6 billion invested. ICT remains the sector leader capturing 238 deals and \$947 million invested.

- Next top three sectors: Life sciences accounted for 86 deals, capturing \$511 million, followed by clean technology at 36 deals and \$86 million invested, and then agribusiness with 17 deals and \$20 million invested.
- Top three regions: the majority of VC deal and investment activity took place in Ontario with 152 deals, capturing \$708 million invested. Quebec was second largest with 140 deals and \$484 million invested, followed by BC with 61 deals and \$290 million invested.
- Top disclosed VC exit for the first nine months of 2015: Shopify Inc.'s IPO for \$1.6 billion. VC backers included Insight Venture Partners, Bessemer Venture Partners, FirstMark Capital, Georgian Partners, Felicis Ventures, and OMERS Ventures.
- Stage: Early-stage investing captured the vast majority of disbursements with 131 deals, and \$843 million. Seed accounted for 132 deals, at \$99 million, while late-stage accounted for 50 deals and \$382 million.
- Funds raised: first nine months saw 21 funds raised for a total of \$1.3 billion, already surpassing last year's total of \$1.2 billion.

PRIVATE EQUITY:

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Highlights:

Private equity disclosed deal value amounts totaled \$16.3 billion invested over 260 deals for the first nine months of 2015. The energy and power sector continues to lead overall investments by a considerable margin – it accounted for half of all deals at \$8.2 billion.

- Next top four sectors (to round out top five): Industrial and manufacturing accounted for \$2.7 billion, mining and resources accounted for \$1.4 billion, real estate for \$1.1 billion, and automotive and transportation for \$938 million.
- Top three regions: Alberta generated 35 deals with \$7.5 billion, Ontario had 80 deals with \$4.7 billion, and Quebec had 94 deals with \$2.5 billion.
- Top Canadian PE disclosed exit for the first nine months of 2015: KERN Partners and WESTCAP Mgt. Ltd. backed Legacy Oil & Gas Inc. acquired by Crescent Point Energy for \$1.5 billion.
- Deal types: PE buy-out dominated deal types accounting for 66 per cent of total disclosed deal value (buy-out = \$10.8 billion).
- Funds raised: the first nine months of 2015 saw 23 funds raised for a total of \$6.2 billion.

CVCA Methodology

Venture Capital: dataset includes verified completed equity or quasi-equity venture capital deals only. Not included are non-equity based government funding such as grants from FedDev, project financing

from The SD Tech Fund of the Sustainable Development Technology Canada (SDTC), pharmaceutical product development deals, senior debt as part of overall financing package, venture capital-backed acquisitions, and angel financing.

Private Equity: dataset includes only completed private equity deals for consistency and quarter-to-quarter/year-to-year comparison. Announced but yet to be completed deals are not included.

About the CVCA

The CVCA is the voice of Canada's venture capital and private equity industry. We are focused on improving the private capital ecosystem by broadening industry awareness and providing market research, networking, and professional development opportunities. We also advocate on behalf of the industry to ensure sound public policy that encourages a favourable investment environment. The CVCA works alongside its members, who represent the vast majority of private capital firms in Canada, to improve the industry and drive innovation and growth.

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