



Canadian venture capital and private equity activity way up – CVCA Report

Health and life sciences drive growth in venture capital and IPOs lead increased 2015 Canadian VC exit values. Private Equity investment levels remain strong but decline from record 2014 levels. Private equity volume way up.

February 22, 2016 – Toronto, ON – Canadian private capital continued its climb in 2015: venture capital (VC) activity saw amounts invested and fundraising increase substantially, with exit values reaching historical highs. Private equity (PE) saw solid fundraising numbers and large increases in volume. These are some of the main findings from the Canadian Venture Capital & Private Equity Association’s (CVCA) private capital market activity reports for 2015.

VC investment continued its strong growth in 2015, with 536 deals capturing \$2.3 billion, an increase of 24 per cent and 12 per cent respectively over 2014. Primarily driven by three large IPOs (Shopify, ProNAi, and Davids Tea), VC exit values were way up reaching a record of \$4.3 billion in 2015, compared with \$1.5 billion in 2014 and \$1.3 billion in 2013.

Ontario continued to lead all provinces in venture capital investments, accounting for 38 percent and 42 percent of deal numbers and disbursement respectively. Quebec investment activity was up dramatically in 2015, increasing its national share of VC activity to approximately 31 per cent, and up 51 percent and 102 percent respectively in number of deals and dollars invested over 2014.

ICT continued to lead all sectors with just under two-thirds of volume and transaction values. However, Health and Life Sciences drove growth in 2015, up 39 per cent in deal volume and 35 per cent in dollar terms, compared to 2014.

Other insights from the report show funding by stages shifting towards earlier stage deals at the expense of later stage. The volume growth went to seed stage, which is up 30 per cent year over year to 178 deals in 2015. The growth in deal value, however, went to early stage (up 46 per cent from 2014) as a result of significantly larger round sizes. This shift caused later stage shares in overall investment to fall to 12 per cent in volume and 23 per cent in terms of amount invested (compared to 2013’s 20 per cent and 49 per cent respectively).

“Venture capital investment is going through a much needed resurgence in Canada”, said Mike Woollatt, CEO of the CVCA. “The future looks brighter as exits climbed through 2015 and fundraising numbers were strong, thanks in large part to government activity on the fund of funds side.”

Private equity saw a 19 per cent increase in deal volume over 2014 with 399 deals in 2015. Due in large part to the 2014 Tim Horton’s deal, which alone represented \$11.8 billion, deal values in 2015 were down from the \$42.2 billion record in 2014. Despite this, they still reached a historically high value of \$22.8 billion. Quebec also saw a substantial increase in private equity activity in 2015 with \$5.4 billion

invested over 151 deals – now representing 38 per cent of the volume and 24 per cent of the amounts invested.

The impact of the low oil prices was felt in 2015 as the number of deals and the amount invested in oil and gas declined from 82 deals and \$13.1 billion in 2014 to 48 deals across \$8.6 billion in 2015. While oil and gas remains the highest in terms of amount invested, it is now fourth in terms of volume after industrials, ICT and mining. [Data collected from a comprehensive survey of CVCA members](#) shows that the vast majority (67 per cent) agree that depressed oil prices will worsen business outlooks for 2016.

In terms of exits, the IPO market for private equity remains slow representing only \$2.5 billion over 4 deals in 2015. M&A exits continues to lead the charge, representing approximately 60% of both volume and overall value. The CVCA member survey reveals that the majority (56 per cent) believe 2016 will see a continued decrease in IPO activity.

“Private equity investment in Canada is leaping from strength to strength right now, despite the impact of oil and gas prices”, said Woollatt. “We are seeing robust activity in deal volume, amounts invested, and fundraising levels, which bode well for future investments.”

2015 has been a strong year for both VC and PE, and it is predicted that this will continue into 2016: According to the CVCA member survey, 64 per cent believe current economic conditions favour the private capital industry, with 54 per cent agreeing that a lower Canadian dollar improves business outlook for the upcoming year.

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VENTURE CAPITAL:

- [Click to view the 2015 VC market activity infographic](#)
- [Click to view the 2015 VC market activity report](#)

Highlights:

- Market activity in 2015 saw 536 disclosed VC deals with \$2.3 billion invested. ICT remains the sector leader capturing 325 deals and \$1.4 billion invested; health and life science sector drove year-over-year growth, accounting for \$647 million cross 110 deals. Clean technology declined to 44 deals across \$135 million invested and agribusiness reported 20 deals and \$42 million invested.
- Top three regions: the majority of VC deal and investment activity took place in Ontario with 206 deals capturing \$939 million. Quebec was the second largest with 168 deals and \$693 million invested, followed by BC with 86 deals and \$450 million invested.
- Top disclosed VC exit for 2015 remains Shopify Inc.’s IPO for \$1.6 billion with VC backers including 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 178 deals, and \$1.2 billion. Seed accounted for 178 deals at \$154 million, while later-stage deals accounted for 64 for \$530 million. Bridge investing had 78 deals with \$129 million.
- Fundraising: 2015 saw 30 funds raising \$2 billion, surpassing last year’s total of \$1.2 billion by 33 funds.

PRIVATE EQUITY:

- [Click to view the 2015 PE market activity infographic](#)
- [Click to view the 2015 PE market activity report](#)

Highlights:

Private equity disclosed deal value totaled \$22.8 billion with 399 deals in 2015.

- While energy and power sector continues to lead overall investments in terms of amounts invested at \$8.6 billion, it has declined in activity rankings to 48 deals or 12% of the overall deal volume.
- Industrial and manufacturing had the most activity at 62 deals, accounting for 16% of the deal volume followed by ICT at 15% and mining and resources at 13%.
- Top three regions: Alberta reported 54 deals with \$8 billion, Ontario had 117 deals with \$5.8 billion, and Quebec had 151 deals with \$5.4 billion.
- Top Canadian PE disclosed exit for 2015: Birch Hill Equity Partners sold Shred-it International Inc. to Stericycle, Inc. for \$3 billion.
- Deal types: PE buy-out dominated deal types accounting for 59 per cent of total disclosed value with \$13.4 billion.
- Fundraising: 2015 saw 31 funds raising \$14.1 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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