

CVCA H1 2017 VC Canadian Market Overview: Strong Investment Pace Continues; Revival in Exits After Long Hiatus

VC investment sees \$1.6B invested over 260 deals with 21 exits totaling \$900M in the first half of 2017

August 23, 2017 – Toronto, ON – Venture capital investment in Canada saw a huge year in 2016; particularly in the first half, when \$1.7B was invested across 275 deals. VC activity in H1 2017 indicates the ecosystem is on pace to see another remarkable year for VC investment. Starting off strong in Q1 2017 with \$713M invested, Q2 saw 28% spike in activity with \$913M invested over 131 deals. With \$1.6B invested over 260 deals in the first half of 2017, VC investment and activity in Canada is indicating numbers will meet or exceed last year's extraordinary performance.

Of note, the VC market in Canada has seen a healthy reappearance of exits in the first two quarters of 2017 with 21 exits totaling \$900M compared to 32 exits totaling \$584M last year. So far, the largest exit in 2017 was the \$393M acquisition of Montreal-based **Luxury Retreats International** by **Airbnb**. There were two VC-backed IPOs signalling a rebound of the IPO market through the first half of the year: **Real Matters Inc.** (TSE: REAL) and **Zymeworks Inc.** (TSE/NYSE: ZYME).

"We are now seeing a much-needed rebound in exits against increasing investment levels," said Mike Woollatt, CEO, CVCA. "This bodes well for fundraising, and investment levels in the future – particularly as the new VCCI program comes on line."

Accounting for a huge 68% of all VC deals in H1 2017, the information and communications technology (ICT) sector saw the biggest share of total VC dollars with \$1.1B invested across 158 deals. Life science companies received the second highest VC investment in the first half of 2017 with \$344M over 52 deals (21% of total invested), while cleantech placed third with \$84M over 18 deals (5% total invested).

Ontario-based companies received \$620M in VC dollars invested in H1, 38% of total VC investment. Quebec received roughly a third at \$544M, while British Columbia investment accounted for a quarter of all dollars invested at \$410M.

Venture Capital Highlights:

- Strong pace of VC investment continues with \$913M invested over 131 deals in Q2 2017—a solid 28% increase in dollars invested compared to both the previous quarter (\$713M) as well as the same quarter last year (\$712M)
- This brings the total invested in the first half of 2017 to \$1.6B over 260 deals, which is almost equal to the \$1.7B over 275 deals during the same time last year
- The average deal size in Q2 2017 spiked to \$7.0M, up 26% from the previous quarter (\$5.5M). Comparatively, Q2 2017 overshadows the average deal sizes in 2013 (\$5.2M), 2014 (\$4.7M), 2015 (\$4.2M) and 2016 (\$6.0M)
- The top 10 VC deals accounted for \$540M or 59% of total dollars disbursed in Q2, just slightly higher than the 56% share of total dollars disbursed in both Q1 2017 (\$410M out of \$713M) and Q2 2016 (\$400M out of \$712M)

- Montreal-based **Element AI** raised a record series A round of \$141M from a syndicate of investors that included CVCA members **Real Ventures** and **BDC Capital**
- **BDC Capital** was also involved in the \$91M **Repare Therapeutics** deal led by **Versant Ventures**
- Seven out of the top 10 deals in H1 2017 were in ICT, two in life sciences and one in agribusiness
- There were eight mega deals (\$50M+ deal size) totaling \$582M or 36% of total dollars invested in the first half of 2017, the largest share of VC to-date. Comparatively, mega deals accounted for 31 per cent of total dollars invested in 2016, 15% in 2015, 16% in 2014 and 23% in 2013
- Toronto-based companies received 67% (\$415M over 74 deals) of dollars disbursed to Ontario-based companies, followed by Ottawa at 10% (\$64M over 11 deals) and Kitchener/Waterloo at 8% (\$49M over 12 deals)
- In Quebec, Montreal-based companies received 65% (\$356M over 42 deals) of dollars invested in the province
- In BC, Vancouver-based companies received 79% (\$323M over 35 deals) of dollars invested in the province

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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. Please visit: <http://www.cvca.ca>.

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