

CVCA 2016 VC & PE Year in Review: Year ends on a high note as Canadian VC soars, PE rebounds in Q4

\$3.2B VC investment highest since 2001, Quebec firms most active on the PE front

February 24, 2017 – Toronto, ON – 2016 represents the seventh straight year of growth for VC investment in Canada and the largest year since 2001. Finalized by a robust fourth quarter, total Canadian VC investment for 2016 was \$3.2B over 530 deals, representing a 41 per cent year-over-year increase in dollars invested.

Mega-deals (deals over \$50M) were the driver behind the spectacular investment levels in 2016. There were eleven mega-deals in 2016 totaling \$1B compared to only five mega-deals in 2015 totaling \$335M. This resulted in an increase in the average deal size, up 44 per cent from 2015 to \$6.1M.

ICT and life sciences drove the top ten deals with six in ICT companies (\$656M invested) and another three in life sciences companies (\$270M). Overall VC investment was highest in the ICT sector and amounted to \$2B over 330 deals. Life sciences garnered \$730M over 103 deals.

Particularly notable is the VC investment pattern in Ontario and Quebec, both of which continue to propel Canada's VC landscape. According to **CVCA InfoBase**, total VC dollars in Ontario have increased by 55 per cent and 47 per cent in Quebec since 2015.

"2016 was a banner year for VC investment levels," says Mike Woollatt, chief executive officer, CVCA. "Canadian venture capital is supporting entrepreneurs at levels we haven't seen in quite some time. We certainly hope this trend can continue and are watching some pivotal upcoming government policy decisions closely."

On the private equity side, a drop in mega-deals over the past five quarters has led to a decrease in private equity investment levels, despite a significant uptick in activity. Total PE investment in 2016 dipped 40 per cent from 2015 levels from \$22.9B to \$13.7B, however activity was up 26 per cent year-over-year from 424 deals to 536.

Oil and gas led PE investment with \$4.4B, with ICT ranking the second most active PE sector at nearly \$2.5B, and clean tech in third garnering \$2B. In contrast to the 49 per cent year-over-year decline in oil and gas investment levels, both ICT and clean tech saw increases of 352 per cent and 200 per cent, respectively.

Most of the activity was centred in Ontario (over \$5B, 85 deals), Quebec (\$3.8B, 344 deals), and Alberta (\$3.3B, 50 deals). In fact, eight out of the ten top PE investors were based in Quebec. The province's institutional funds contributed the lion's share of investment in the smaller deal size spectrum, participating in 80 to 90 per cent of the deals between \$100K and \$5M.

"Private equity investment levels have come off the huge years in 2014 and 2015 largely as a result of the decline in oil and gas activity," Woollatt says. "However, activity continues to climb in mid-market deals in other sectors."

Venture Capital Highlights:

- At \$3.2B, 2016 VC investment exceeded 2015 by 41 per cent (\$2.3B) and is the highest on record since 2001.
- The average deal size was \$6.1M, the highest since 1999 and 44 per cent higher than 2015 (\$4.2M).
- Large deals accounted for the surge:
 - Eleven \$50M+ deals totaled \$1B dollars, compared to only five \$50M+ deals in 2015 totaling \$335M.
 - Top 10 VC deals totaled in \$984M; Waterloo-based [Thalmic Labs Inc.](#) deal was number one at \$158M
- Ontario was home to \$1.5B or almost half (46 per cent) of dollars invested, and another third (\$1B) in Quebec setting high-water marks in **InfoBase** in both provinces.
- ICT was the big sector winner with almost \$2B invested in 330 deals, with six of the top ten 2016 deals being in this sector.
- Life sciences was second with investments of \$730M over 103 deals, with three of the top ten 2016 deals being in this sector.
- Early stage companies received \$1.6B (half of all VC investments) over 261 deals, up 29 per cent from last year's \$1.2B.
- Opportunity for exits remained limited to acquisitions with 29 transactions totaling \$521M, down 63 per cent from the \$1.4B in M&A exits in 2015.

Private Equity Highlights:

- Q4 was PE's best quarter in 2016 with \$4.1B invested over 137 deals, a 36 per cent increase over \$3B invested in Q3.
- Total investment in 2016 amounted to \$13.7B (over 536 deals), dipping 40 per cent from \$22.9B in 2015 (over 424 deals).
- 32 \$50M+ deals totaled \$11B with the \$1.6B acquisition of Toronto-based [Trader Corporation](#) taking the top spot.
- Canadian mid-market sweet spot: \$1.5B invested over 43 deals in the \$20M-\$50M deal size range, an increase of 41 per cent over the \$1B invested (over 34 deals) in 2015.
- \$4.7B, a third of all dollars, was invested in Toronto-based companies (56 deals), followed by \$3.2B in Calgary firms (over 38 deals) and \$1.3B in Montreal (over 104 deals).
- Oil and gas companies got \$4.4B (32 per cent) of the funds invested, down 49 per cent from 2015.
- Clean tech saw a 200 per cent uptick in investment with almost \$2B invested in over 25 deals, driven by five \$50M+ deals—the largest being the \$800M acquisition of Montérégie-based [Services Matrec Inc.](#)
- ICT companies received \$2.5B (over 65 deals), up 352 per cent from the \$556M in 2015 (over 59 deals).
- M&A continued to be the primary exit vehicle for PE firms with 49 exits totaling \$6.5B, down 44 per cent from \$11.5B in the previous year.
- Eight out of the most active top 10 PE investors were based in Quebec and contributed to 80-95 per cent of deals between \$100k and \$5M.

VC & PE Digital Assets:

- [2016 VC & PE Canadian Market Overview](#)
- [2016 VC & PE Quebec Market Overview](#)
- [Capital at Work: Changemakers](#) [video] – Hear from the country's top changemakers as they share insights into what makes Canada's startup ecosystem increasingly attractive.

CVCA Exchange 2016: Looking Beyond the Buzz

Join CVCA and senior VC and PE colleagues in Toronto on March 31 and in Vancouver on April 18 for **CVCA Exchange**. We'll examine Canadian VC and PE activity from the past year and look behind the headlines to present a comprehensive report card and overview of trends, with a focus on how our regional clusters left a unique footprint on the overall Canadian private markets. It's a unique opportunity to learn from and network with top industry thought-leaders as they explore the latest venture capital and private equity trends, and discuss future opportunities and challenges that will impact the industry. For more event details and to register:

- [CVCA Exchange – Central & Eastern Canada](#)
- [CVCA Exchange – Western Canada](#)

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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>.

For more information or to arrange an interview, please contact:

Carolyn Goard
Senior Manager, Communications
Direct: 416-487-0519, ext. 204
Mobile: 416-706-7879
Email: [**cgoard@cvca.ca**](mailto:cgoard@cvca.ca)