

# Goodmans<sup>LLP</sup> Update

## CVCA Releases Q1 2019 VC & PE Canadian Market Overview

On May 27, 2019, the Canadian Venture Capital and Private Equity Association (CVCA) released its Q1 2019 VC & PE Canadian Market Overview, providing an overview of venture capital (VC) and private equity (PE) activity in Canada for the quarter.

### Canadian VC Activity in Q1 2019

A total of \$1B was invested over 142 deals in Q1 2019, representing a 48% increase from Q1 2018. This represents the fifth billion-dollar quarter for the Canadian VC market since 2013. The average deal size was \$7.4M, a 56% rise from Q1 2018 and a 34% increase when compared to the average deal size during the period between 2014-2018 (\$5.5M).

Q1 2019 saw seven mega-deals (\$50M+) which accounted for a 57% share of total dollars invested. These mega-deals included Toronto-based Vena Solutions Canada Inc.'s \$115M growth equity financing from US investors including Centana Growth Partners and JMI Equity, Squamish-based Carbon Engineering Ltd.'s \$90M round from two US cleantech investors, and Montreal-based Enerkem's \$76M round from a syndicate of investors including Cycle Capital Management/Ecofuel, Fondation CSN, Fonds de solidarité FTQ, and National Bank of Canada.

Deals between \$5M-20M totalled \$234M, which captured 22% of total dollars invested. Approximately 70% of deals in Q1 were under \$5M.

Information communications technology companies saw the greatest amount of VC activity, receiving \$619M over 80 deals (representing 59% of total dollars invested in Q1). The next most active were cleantech companies, receiving \$201M over 11 deals (a 19% share, representing a 12% uptick from Q4 2019) and life sciences companies, receiving \$145M over 26 deals (a 14% share). In terms of location, deals were concentrated in Toronto, Calgary, and Montreal with \$416M across 47 deals (40% of total dollars disbursed), \$154M across 5 deals (15%), and \$146M across 35 deals (14%), respectively.

Later stage companies received the largest share of total investment since 2014 with \$493M across 53 deals (47% of total investment). Growth equity deals received \$138M across 4 deals (13%).

Montreal-based Lightspeed POS Inc. completed the largest and only IPO exit since 2017, listing on the TSX with a market cap of \$1.1B.

"It's great to see continued momentum across the Canadian VC industry with this fifth billion-dollar quarter in less than 10 years," said Kim Furlong, Chief Executive Officer, CVCA. "We will be keeping an eye on the exit environment throughout the remainder of 2019."

### Canadian PE Activity in Q1 2019

PE investment slumped in Q1 2019, as \$1.9B were invested across 130 PE deals - a 72% decline from Q1 2018. All PE deals with disclosed values were below \$500M, with 62% of deals valued at less than \$25M. The largest

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deals included Torquest Partners' \$199M acquisition of BC-based Prepac Holdings Inc. with financing support from Export Development Canada (EDC), and Penfund Inc.'s \$100M debt financing to Goodlife Fitness Centers Inc.

Information communications technology companies made up a fifth of all PE deals in the quarter (27 out of 130), totalling \$929M (almost half of all dollars disbursed). Together, the industrial & manufacturing and the consumer & retail sectors received \$562M over 43 deals (29% of total dollars disbursed). In terms of location, 19% of all PE deals went to Montreal-based companies (\$840M across 25 deals) and 15% went to Toronto-based companies (\$314M across 20 deals).

Four out of every ten PE deals were debt deals with an average deal size of \$11.8M, which is 1.5 times greater than last year. Q1 2019 also saw nine M&A exits totalling \$270M, compared to 82 exits totalling nearly \$8.5B for the year in 2018.

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