

STATUS OF QUÉBEC'S VENTURE CAPITAL INDUSTRY – Q2 2010

Venture capital experiencing strong growth in Québec

MONTREAL, Tuesday, August 10, 2010 – Today, Réseau Capital published statistics compiled by Thomson Reuters on venture capital (VC) activity in Québec for the second quarter (Q2) of 2010. The Québec VC market saw a marked rise in activity for this quarter, with investment totaling \$100 million – a 45% increase over the \$69 million placed in the same period in 2009. The total number of VC-financed companies for this period now stands at 56 – a 19% increase year-over-year. Transactions averaged \$1.8 million, versus \$1.5 million in Q2 2009. In absolute dollars, activity in Québec dominated and helped boost the Canadian VC market in Q2 2010 to 57% or \$334 million in investment.

François Chauréte, Copresident of Réseau Capital and senior partner at Novacap, asserted: *"We are pleased to observe a strong, sustained pace of investment in Québec, in addition to which this province continues again to set itself apart nationwide, propelling Canada to its best level of growth since 2007."*

INVESTOR TYPES

Locally-based VC funds and other Canadian investors have played a leading role in transactions within Québec in the second quarter. Investors' combined outlay stood at \$88 million – a 39% increase over the \$63 million placed by these sources in the same period in 2009. Labour-sponsored and other retail funds were at the forefront of this activity: the \$42 million in investments represented the largest share of the market in this quarter. The retail funds' activities encompassed 36 Québec-based companies.

Private-independent funds also had an impact: \$20 million in financing was placed in 14 companies from April to June – a 47% increase over the \$14 million invested last year. American VC funds and other foreign investors also heightened their presence in Québec, injecting \$12 million – more than double the previous amount – in Q2 2010. At the close of Q1 2010, foreign fund placements in Québec stood at \$58 million, equaling their total investment for 2009.

François Chauréte, Copresident of Réseau Capital and senior partner at Novacap, asserted: *"Québec is the only province in Canada attracting this level of investment from foreign funds, which represent almost 30% of total investments since the start of 2010. The balance we have achieved between private, retail and foreign funds is our best ever, and remains a standard of reference."*

ACTIVITY BY STAGE

Late-stage deals dominated VC market activity in Québec in the second quarter, which saw \$73 million in investment – almost three-quarters of all disbursements – in 41 companies. This area of activity also posted 27% growth against the previous year's level, \$57 million.

Company expansion financing was once again the trigger for a year-over-year increase. Thirty-eight firms were granted \$60 million in this quarter – a 59% rise over the \$38 million invested in the same period in 2009.

Nor was Quebec's start-up and early-stage sector neglected: 15 companies received \$27 million – more than double the \$11 million invested in Q2 2009. From a historical standpoint, however, the 27% investment transaction market share enjoyed by early-stage companies was sub-par.

LIFE SCIENCES TAKE THE LEAD

A few financings in the biopharmaceuticals sector played a key role in VC activity in Québec in the second quarter of this year. Seven life sciences companies attracted investment totaling \$38 million, which represents a 36% increase over the \$28 million received in Q2 2009. Life sciences therefore led the prevailing trends in Quebec this quarter, representing 39% of all investment – a noticeably higher share, compared to the 20% recorded by the life sciences sector in all of 2009.

Activity in the information technology (IT) sectors also helped boost Q2 2010 results appreciably, with a total of \$31 million placed in 11 companies representing a 64% increase over the \$19 million invested in the same period last year. IT-related activity thus represented a little less than one-third of all activity in Québec.

About Réseau Capital

Réseau Capital, the Québec Venture Capital and Private Equity Association, was founded in 1989. Its membership represents private and public venture capital companies, as well as firms of professionals working in the industry, and its mission is to contribute to the growth and sound operation of the investment chain. The Association's activities are focused in five areas: training, information, networking, promotion and representation.

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