

**QUÉBEC'S VENTURE CAPITAL RESULTS FOR Q1 2010****Québec continues to dominate  
the Canadian market**

MONTRÉAL, Tuesday, May 18, 2010 – Réseau Capital today announced the results for Québec's venture capital industry for the first quarter (Q1) of 2010, as compiled by Thomson Reuters. In dollar terms, venture capital (VC) market activity in Québec returned to a normal level in the first quarter of 2010. A total of \$101 million was invested in this period, which is down 34% from the \$153 million invested at the same time in 2009. It should be noted that the results for the first quarter of 2009 were very high, and that today's results are similar to the average for the past eight quarters. Companies financed between January and March totalled 42, which approximates the 43 companies that were financed the year before. The amounts invested per firm averaged \$2.4 million in comparison with \$3.6 million in Q1 2009.

In addition, Québec-based VC activity continued to lead the Canadian market in the first three months of the year, as it did throughout 2009. Québec represented 37% of the dollars invested, exceeding Ontario's 35% share, and also accounted for 40% of the companies financed.

**BREAKDOWN BY INVESTOR TYPE**

American VC funds and other foreign investors were a major market presence in Québec last year, representing 29% of all disbursements. This trend was repeated in the first three months of 2010, as cross-border activity brought \$48 million to Québec deals and accounted for close to half of the total.

Consequently, foreign investors once again led Québec VC trends in dollar terms. In addition, Québec attracted the largest proportion of total cross-border activity in the domestic market in this period, or 52%. This was also the case throughout 2009. Between January and March, private-independent VC funds put \$25 million to work in 11 companies, or close to double their previous \$13 million. This gave private funds one-quarter of total VC activity in Q1, versus a lower-than-normal 13% share for all of 2009.

In addition, the activity of Québec labour-sponsored and other retail funds was also greater, with \$21 million invested in 28 companies, or 13% more than the \$19 million they invested at the same time last year. This gave retail funds slightly more than one-fifth of all disbursements.

According to François Chaurette, Co-President of Réseau Capital and Senior Partner at Novacap, *"What sets the Québec model apart from the rest of Canada is the complementary nature of investments by private funds, labour-sponsored and other retail funds as well as foreign funds. Our success is due to our ability to incorporate the complementary competencies of the various funds."*

## ACTIVITY BY STAGE

As was the case in 2009, Québec late-stage VC activity edged out early-stage activity in the first quarter of this year, but this time with an even greater market share. A total of \$82 million was invested in late-stage deals, increasing 31% from the year before and capturing more than 80% of all disbursements.

Expansion transactions provided the impetus behind this overall trend. Twenty-five expanding companies in Québec were financed with \$75 million between January and March, or close to quadruple the \$20 million of the same time last year. In contrast, firms at other late stages of development attracted only \$7 million.

## CLEAN TECHNOLOGIES IN THE LEAD

Over the past two years, information technology dominated VC trends in Québec. In Q1 2010, however, the energy and environment sectors attracted most of the dollars. A total of \$54 million went to three clean-tech firms, or six times more than the \$9 million invested in Q1 2009.

According to François Chaurette, Co-President of Réseau Capital and Senior Partner at Novacap, *"We're pleased to see that this result is attributable mainly to Enerkem, which accounted for the largest clean-tech deal recorded to date in Québec and one of the three largest in Canada."*

## About Réseau Capital

Réseau Capital – the Québec Venture Capital and Private Equity Association – was founded in 1989. Its members represent public and private venture capital companies as well as firms of professionals serving the industry. Réseau Capital's mission is to contribute to the development and smooth functioning of the investment chain. Its preferred approaches are training, information, networking, advocacy and representation.

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