



## QUÉBEC'S VENTURE CAPITAL RESULTS FOR Q3 2009

# Québec in the lead with improved results

MONTRÉAL, Tuesday, November 10, 2009 – Réseau Capital today announced the results for Québec's venture capital industry for the third quarter (Q3) of 2009, as compiled by Thomson Reuters.

Deal activity in Québec's venture capital (VC) market improved in the third quarter of 2009, as \$87 million was invested in total, or 25% more than the \$69 million invested in the second quarter of 2009. Dollars flowed to 47 companies based in Québec, the same number as in the previous quarter. Moreover, Québec accounted for 45% of all disbursements made in Canada in Q3, and VC injections averaged \$1.8 million, up 20% from Q2 2009.

At the end of the first nine months of 2009, Québec-based activity was also running ahead of the Canadian market as a whole. On a year-to-date basis, a total of \$308 million has been invested in Québec, up 2% from the \$303 million invested one year ago. Over the same time, VC activity across Canada declined 36%, mainly because of an 87% drop in Ontario-based disbursements. In addition, VC activity in the United States fell even more significantly during the same period, declining 44%, far below the Canadian national average.

### **BREAKDOWN BY INVESTOR TYPE**

Foreign investors returned in force to the Québec market in Q3 2009, bringing \$50 million to deals. This level of activity is three times greater than the \$16 million invested during the same period in 2008.

As a result, foreign activity provided 57% of all disbursements in Québec, which well exceeds its average market share in recent years. Moreover, Québec accounted for 64% of cross-border activity in Canada in the third quarter.

Québec labour-sponsored and other retail funds led among local investors, putting \$23 million to work in 34 companies, although this amount is less than half of their \$54 million invested at the same time last year. Retail fund activity consequently accounted for more than one-quarter of VC activity in the third quarter.

**INVESTMENT BY SECTOR**

These trends brought IT-related activity to an overall total of \$39 million invested in nine companies between July and September, for a 45% share of all disbursements made in Québec. As compared with the \$57 million invested during the same period last year, real activity posted a decrease of 32%, however.

VC activity in the life sciences sectors comprised \$35 million going to eight companies, or 39% of the Québec total in the third quarter, up 11% from the \$32 million invested the year before.

According to François Chaurette, Co-President of Réseau Capital and Senior Partner at Novacap, *“We’re pleased to note that investment is up in relation to the second quarter of 2009. To see Québec’s share growing when the rest of North America is declining proves the vitality of our local industry.”*

**ACTIVITY BY STAGE**

Even though the vast majority of the Québec companies financed with VC in the third quarter were later-stage deals, a small number of early-stage companies picked up most of the dollars. Thirteen firms involved in early-stage deals accounted for 52% of total activity, or \$45 million.

Expanding firms, totalling 27 between July and September, continued to dominate late-stage trends in Québec, with \$39 million invested, although this figure is 17% below the \$47 million of the year before.

**FUND RAISING**

Fund-raising in Canada’s VC market was considerably slower in the third quarter of 2009, as new capital going to fund managers totalled \$65 million, or half of the \$131 million committed the year before. On the plus side, partnership closings accounted for 53% of total commitments, or \$35 million, which is up 40% from the \$25 million that went to private funds in Q3 2008.

Just under half of the new commitments made in the Canadian market between July and September went to fund managers based in Québec. Québec-based VC funds have also absorbed a comparable 48% share of all inflows reported since January.

According to François Chaurette, Co-President of Réseau Capital and Senior Partner at Novacap, *“The third-quarter statistics are encouraging, and the spinoff benefits generated by our industry are indicative of an economic upturn in Québec.”*

## 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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