



2017: II

PitchBook®  
**Canadian  
PE & VC  
Breakdown**



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## The PitchBook Platform

The data in this report comes from the PitchBook Platform—our data software for VC, PE and M&A.

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# Executive Summary

Canadian private equity and venture capital have shown continued strength throughout the first three quarters of 2017. While deal volume for both asset classes have tapered since 2015 highs, larger deal sizes have supported robust tallies of aggregate value.

PE dealmaking through 3Q 2017 has been prolific; with C\$47 billion invested across 203 deals, 2017 has already eclipsed last year's total of deal value. This uptick was assisted by the giant buyouts in 2Q of Stelco and DH Corp., which combined represent 22% of 2017 deal value.

For VCs, deal value thus far in 2017 has continued its longer-term growth trend. While deal counts were driven downward by a lack of angel and seed deals, the early stage has been a bright spot. Activity at this stage reached 41 closed rounds, its highest level since 1Q 2015.

Interest from foreign investors remains high, as capital invested in cross-border deals for both asset classes exceeded or approached decade highs. PE investment with cross-border participation in 2017 has already surpassed all full-year totals since 2006. Additionally, US investors' participation in Canadian VC activity has surpassed 40% of total deals for the first time this decade, up from 25% of deals in 2008.

Fundraising in 2017 has been more of a mixed bag across the private markets. On one hand, VC capital raised was strong, totaling C\$650 million across six funds through the end of 3Q. This already matches the full-year amount raised in 2015, and puts 2017 on track to see an increase in venture funding for the third straight year. However, the trendline for PE fundraising counts continues to move downward, with only six funds closing in the first nine months of the year. Though the C\$20 billion raised by Canadian PE funds over the past three years should serve to support a moderate level of dealmaking moving forward, the more tepid fundraising environment in 2017 reinforces the importance of cross-border investment.

Exits have been a bright spot for the Canadian market in 2017. PE exit counts are on pace to reach the levels recorded for the past four years; however, a lack of outsized sales through the first three quarters is likely to translate to a year-over-year decline in exit value. Despite this, we see the healthy volume as a signal of a broadly robust exit market, which is especially noteworthy given that exit markets in most other geographies are currently in decline.

Only 69% of VC exits by count occurred via corporate acquisitions, making 2017 more diverse by exit type than any other year since 2007. 2017 ended the IPO drought experienced by VC-backed companies in Canada during 2016, but the main development so far this year is the increased activity of PE buyers. This speaks to PE's growing interest in technology investments, as all but one of the VC-backed companies that exited via buyout in 2017 operated in the technology sector.

We hope this report is useful in your practice. As always, feel free to contact us at [reports@pitchbook.com](mailto:reports@pitchbook.com) with any questions or comments.



**CAMERON STANFILL**

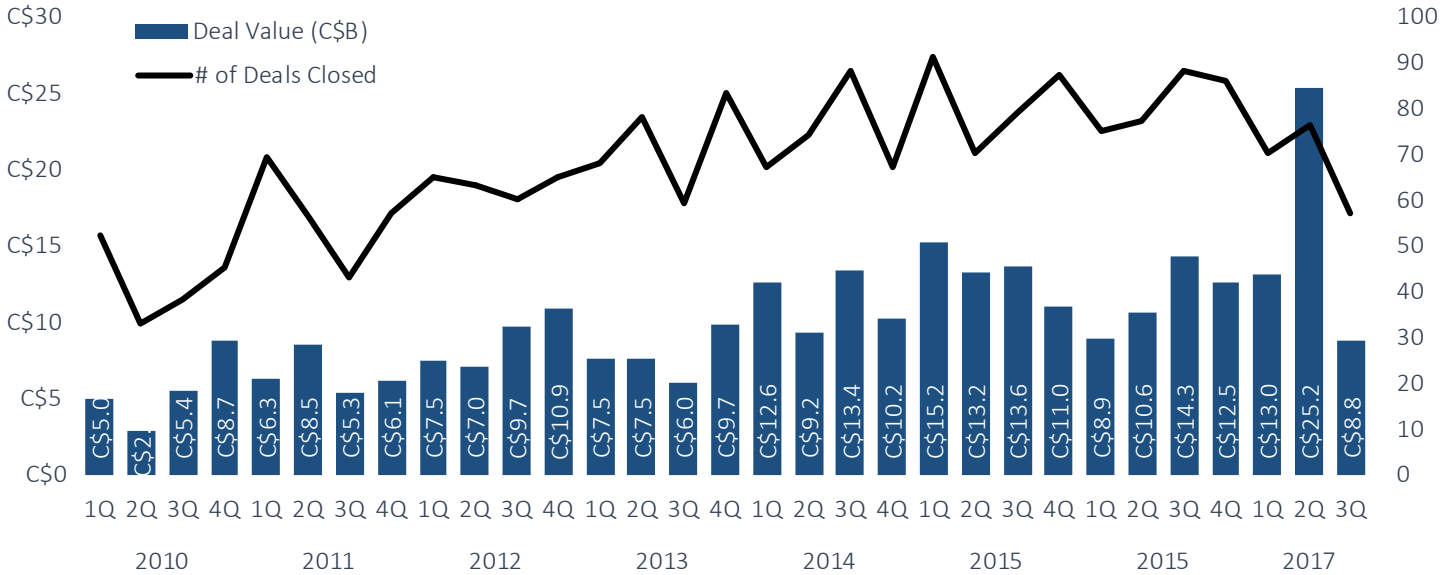
Analyst

# Canadian PE surges in value

Private equity overview

## Deal value falls in 3Q, quarter after decade high C\$25.2B invested in 2Q

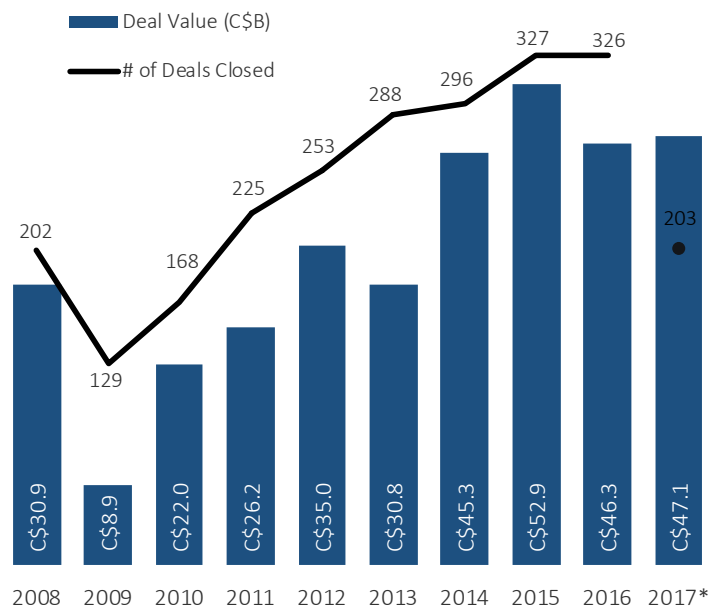
Canadian PE activity



Source: PitchBook

## Deal value set to reach new record in 2017

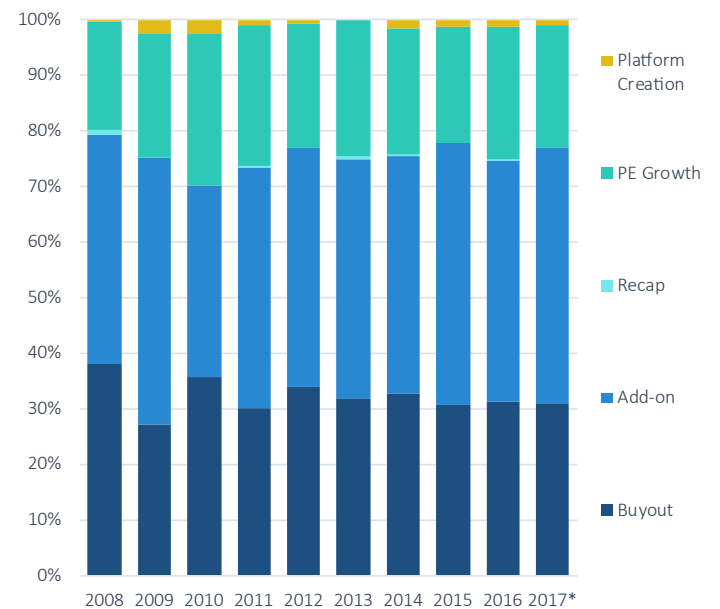
Canadian PE activity



Source: PitchBook  
\*As of 9/30/2017

## Add-ons remain most popular investment in Canada

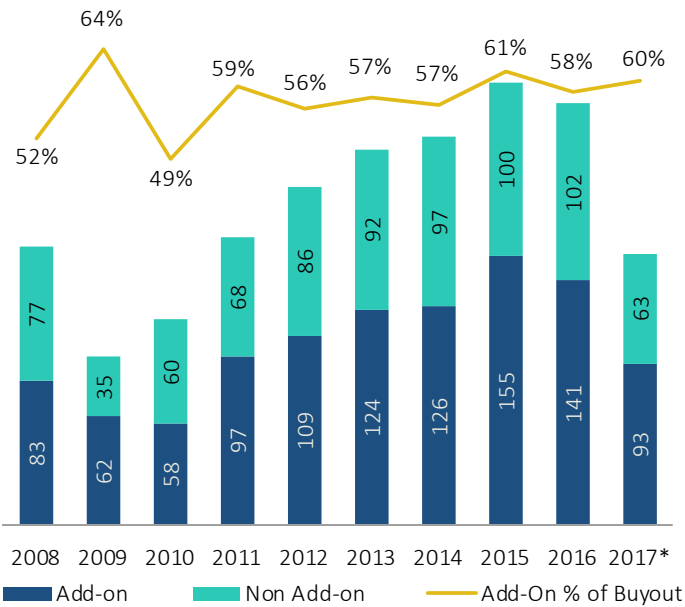
Canadian PE activity (#) by deal type



Source: PitchBook  
\*As of 9/30/2017

### Add-on % has stayed steady over past seven years

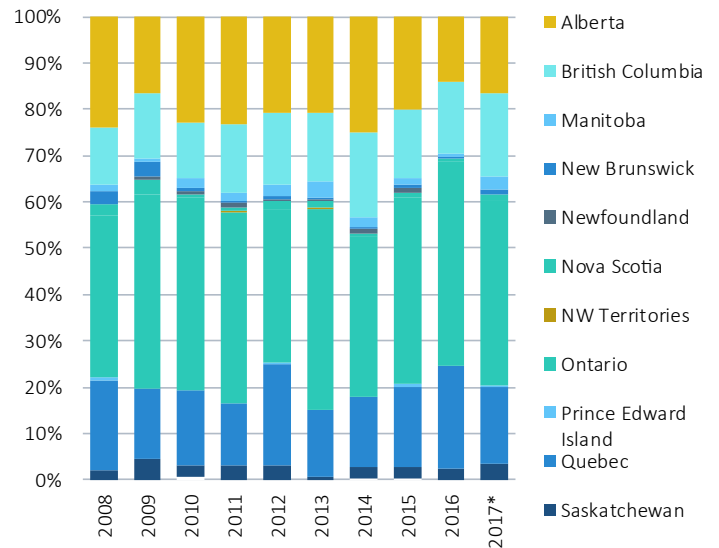
Canadian add-on activity



Source: PitchBook  
\*As of 9/30/2017

### Ontario remains tops in deal activity

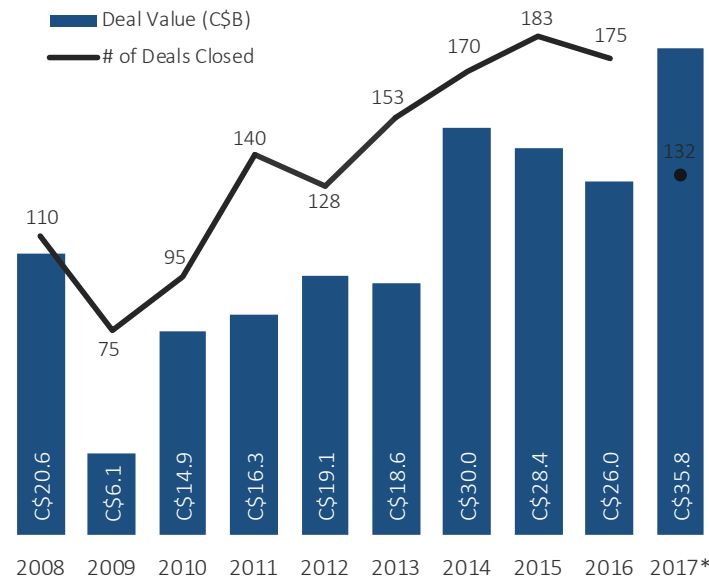
Canadian PE activity (#) by province



Source: PitchBook  
\*As of 9/30/2017

### Plenty of outside investors still want exposure

Canadian PE activity with foreign investor participation

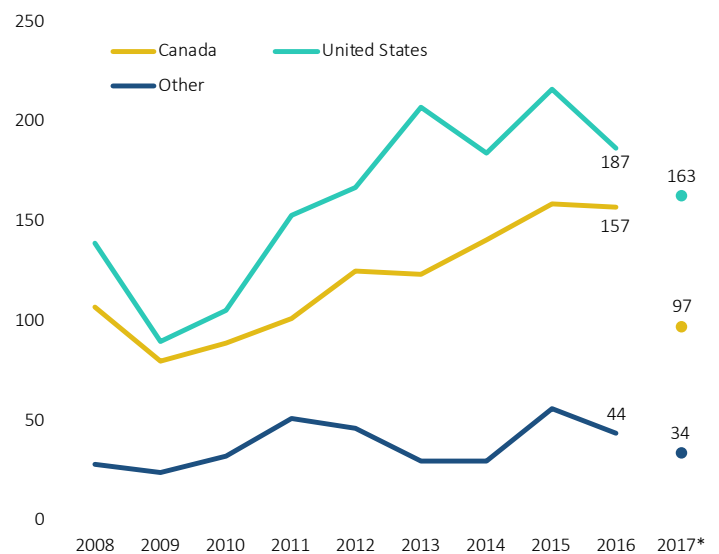


Source: PitchBook  
\*As of 9/30/2017. At least one investor headquartered outside of Canada participated in the above transactions.

*US investor participation in Canadian VC remains a driving force behind overall activity*

### US firms maintain interest in Canadian businesses

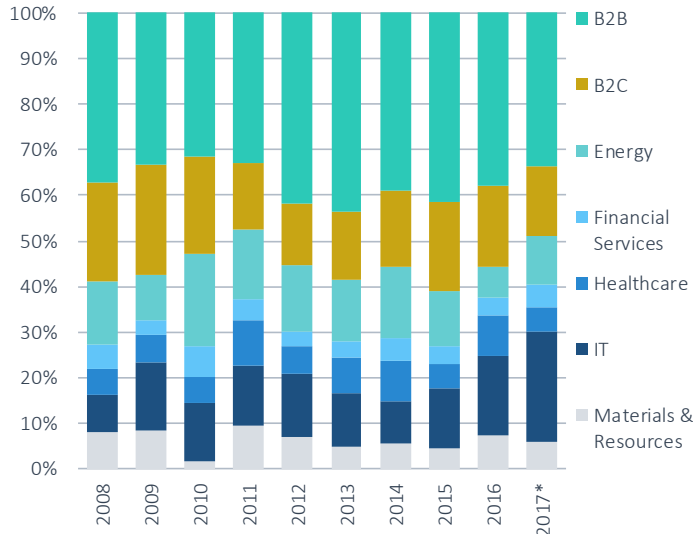
Unique investors (#) in Canadian PE deals by headquarters



Source: PitchBook  
\*As of 9/30/2017

# PE deals by sector & size

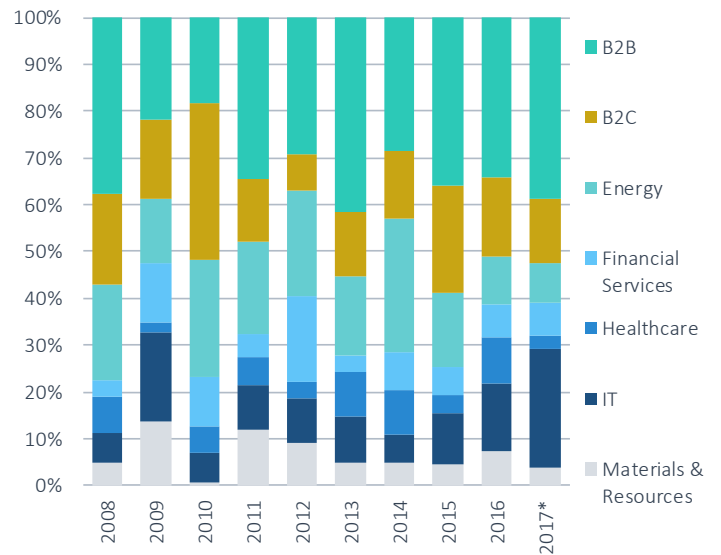
**IT receiving growing percentage of activity**  
Canadian PE activity (#) by sector



Source: PitchBook  
\*As of 9/30/2017

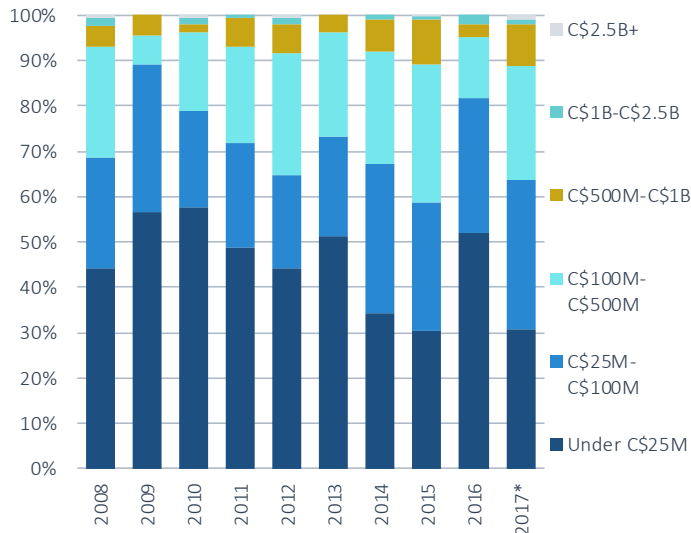
*C\$1B+ deals have accounted for over 20% of Canadian PE deal value in 2017, the highest percentage since 2008*

Canadian PE activity (C\$) by sector



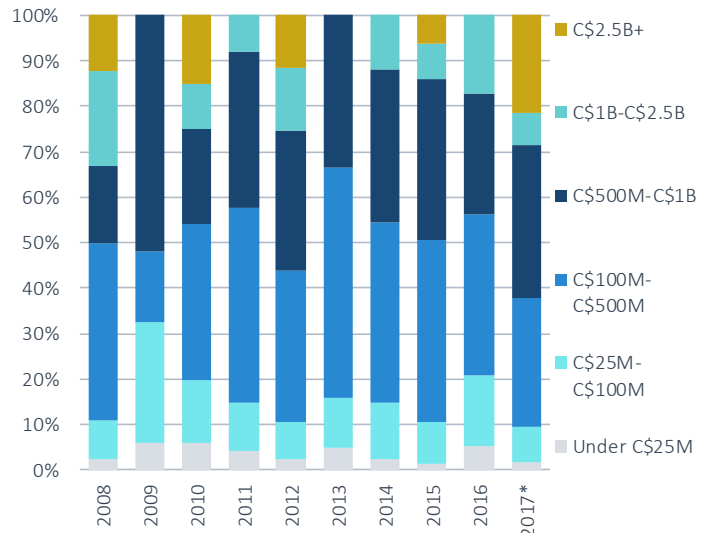
Source: PitchBook  
\*As of 9/30/2017

Canadian PE deals (#) by deal size



Source: PitchBook  
\*As of 9/30/2017

Canadian PE deals (C\$) by deal size

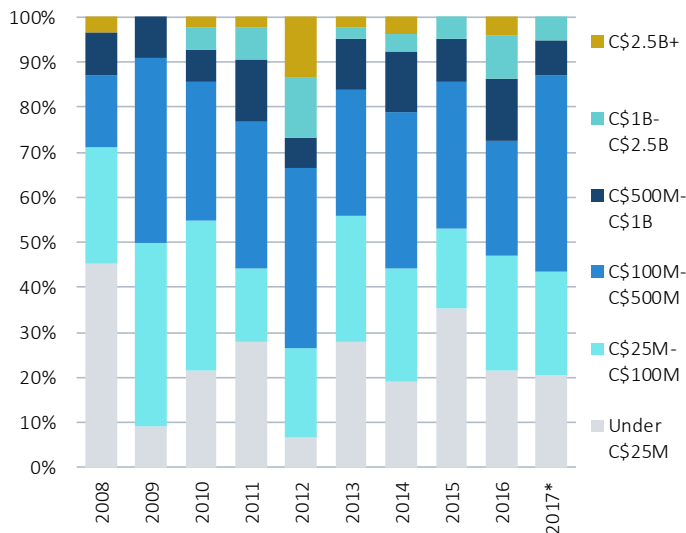


Source: PitchBook  
\*As of 9/30/2017

# PE-backed exits & fundraising activity

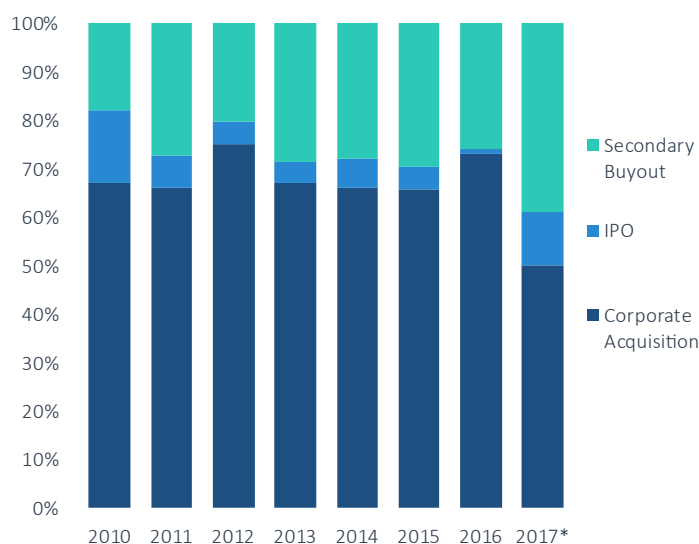
*PE-backed exit activity roughly on pace to equal 2016, and is set to be the fourth consecutive year of 90+ transactions*

Canadian PE-backed exits (#) by size



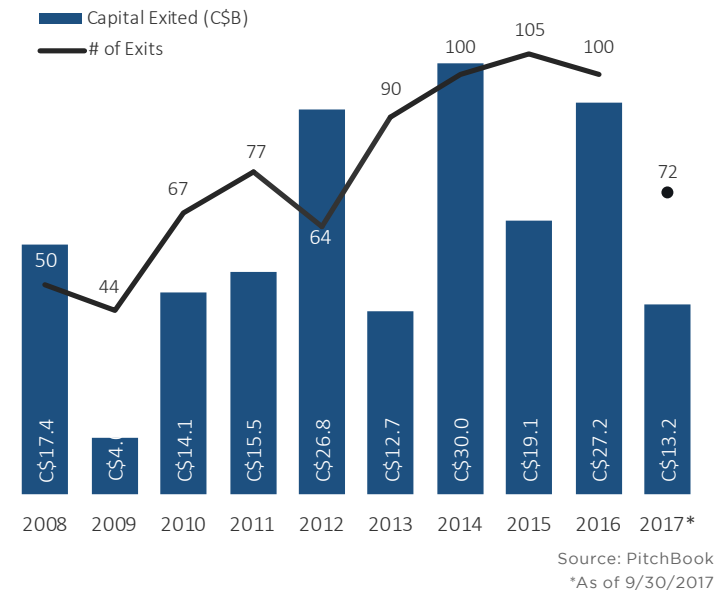
Source: PitchBook  
\*As of 9/30/2017

Canadian PE-backed exits (#) by type

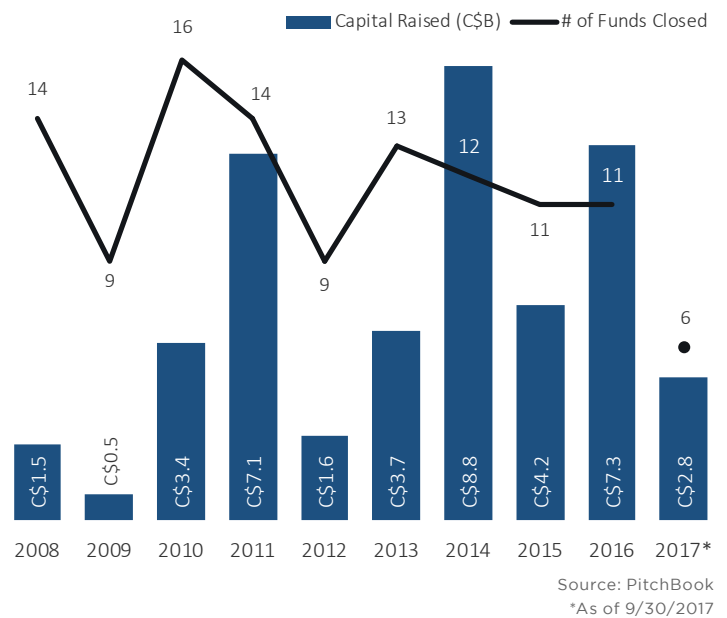


Source: PitchBook  
\*As of 9/30/2017

Canadian PE-backed exits



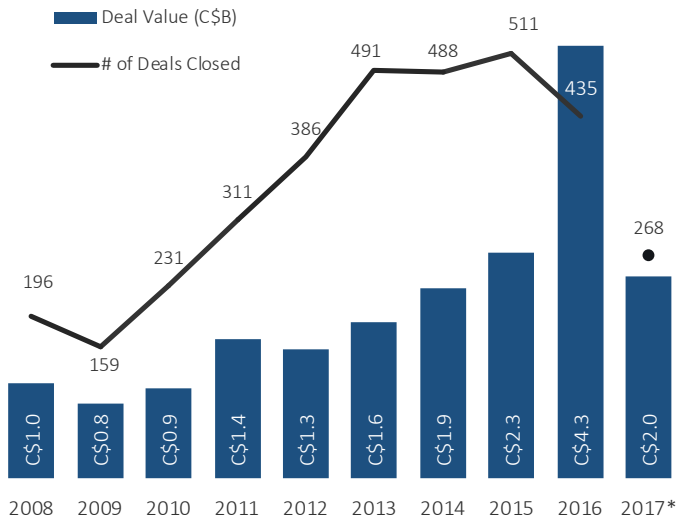
Canadian PE fundraising activity



# VC pacing for 18% YoY decline

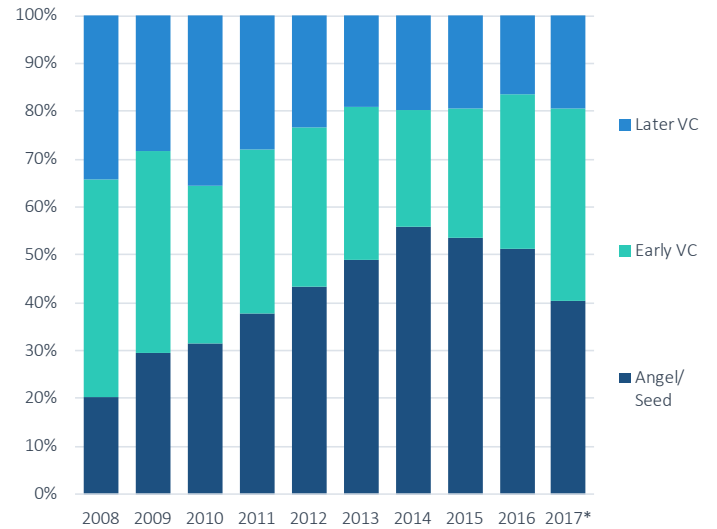
Venture capital overview

**2017 deal value unlikely to catch 2016's total**  
Canadian VC activity



Source: PitchBook  
\*As of 9/30/2017

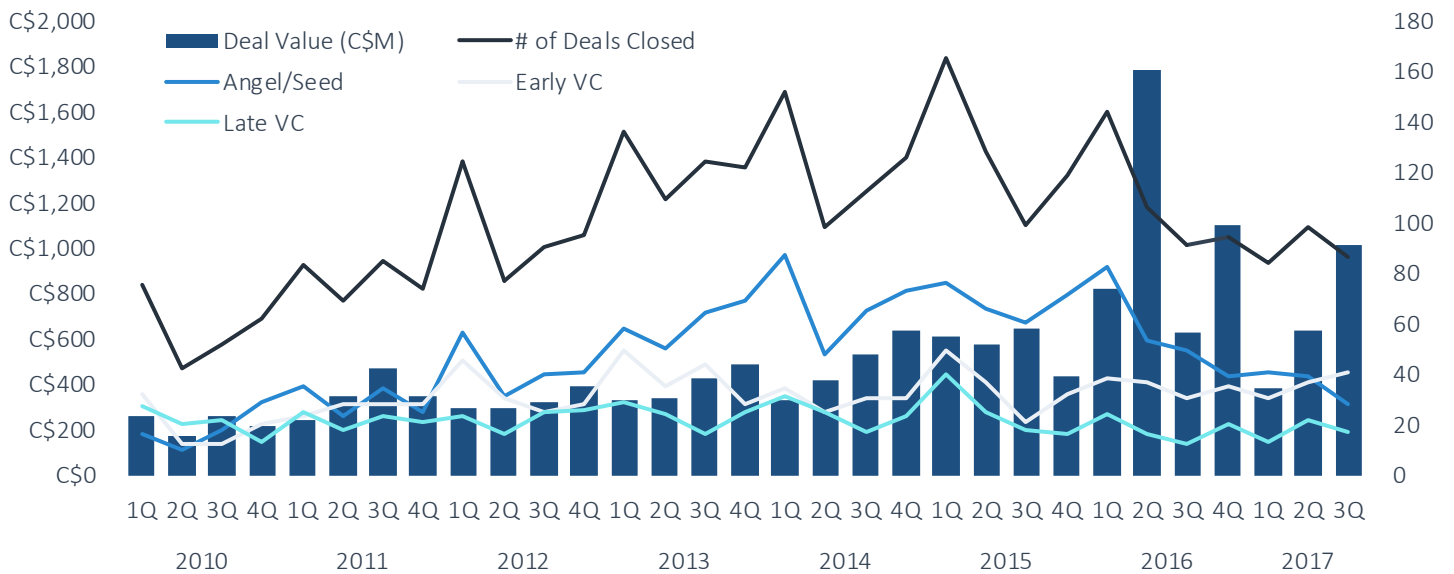
**2017 early-stage deals account for highest % since 2009**  
Canadian VC activity (#) by stage



Source: PitchBook  
\*As of 9/30/2017

**Despite lower deals, quarterly deal value has remained high over recent periods**

Canadian VC activity

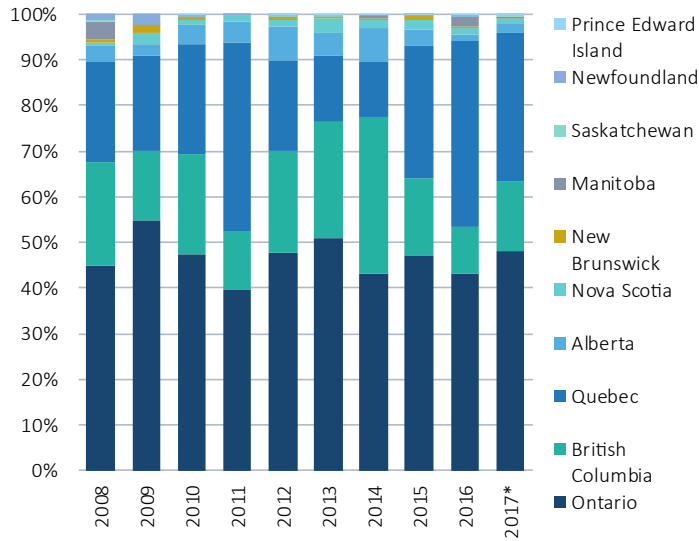


Source: PitchBook



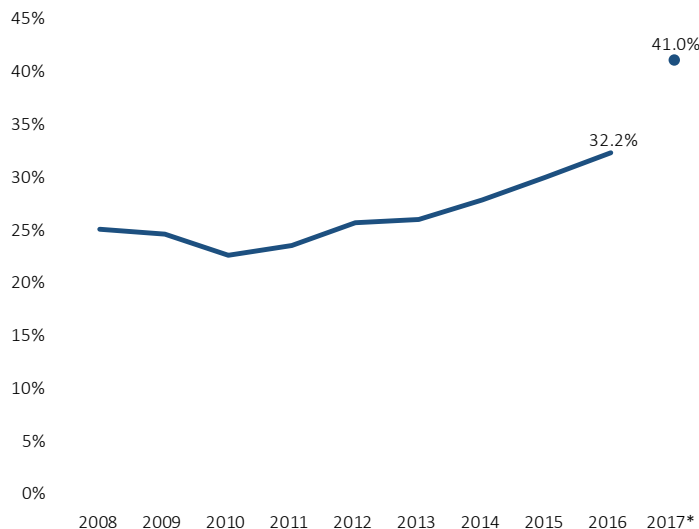
More than 90% of VC deal activity has occurred in three provinces, the highest portion we have tracked in the past decade

**Ontario continues to receive highest amount of capital**  
Canadian VC activity (C\$) by province



Source: PitchBook  
\*As of 9/30/2017

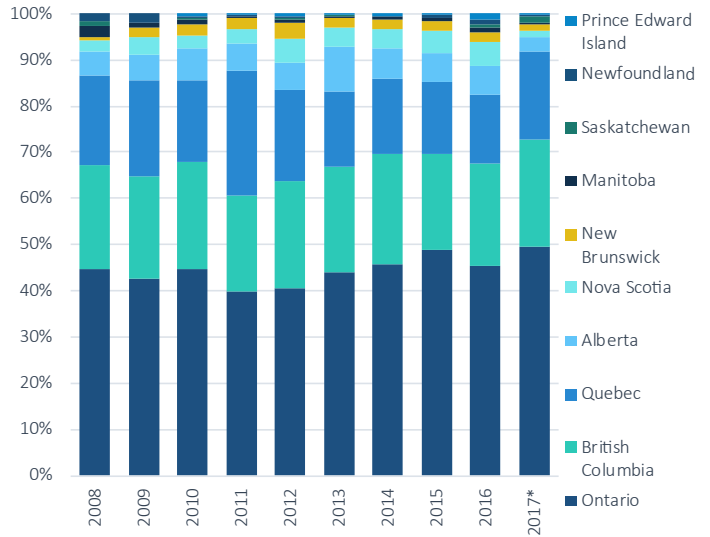
**US VCs are still participating, at record amounts**  
Canadian VC activity with US-based investor participation



Source: PitchBook  
\*As of 9/30/2017

**Quebec attracting highest portion of deals since 2011**

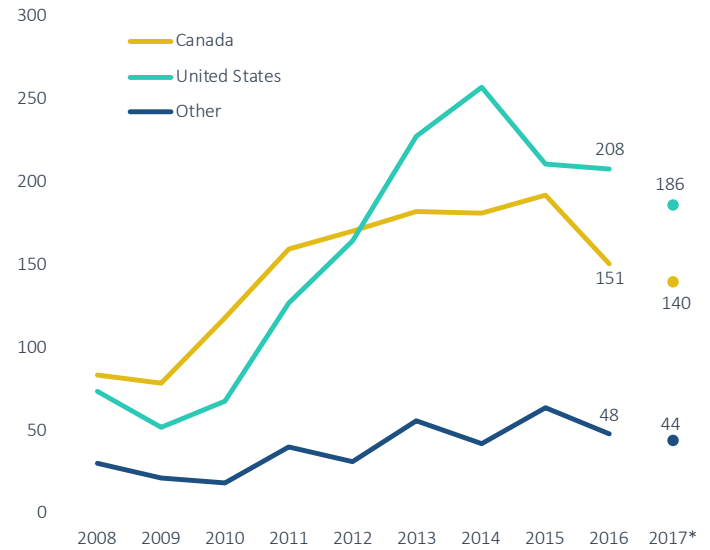
Canadian VC activity (#) by province



Source: PitchBook  
\*As of 9/30/2017

**Foreign investors outpacing domestic firms**

Unique investors in Canada VC deals (#) by location



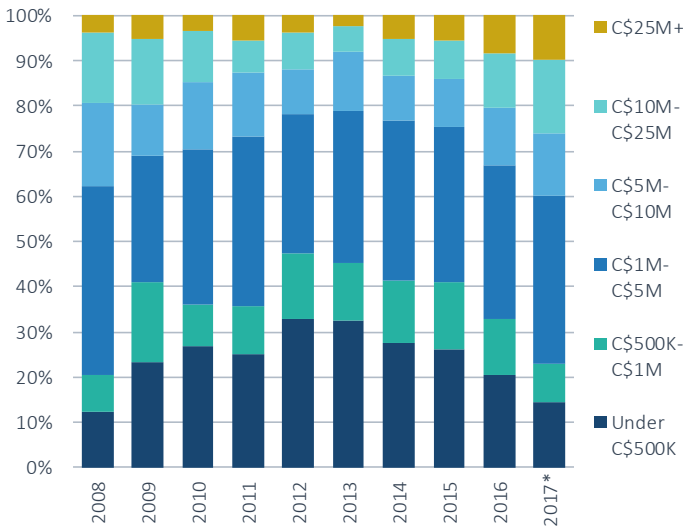
Source: PitchBook  
\*As of 9/30/2017

# Activity in software continues to grow

VC rounds by sector & size

## C\$25M+ deals hit 10% of transactions for first time

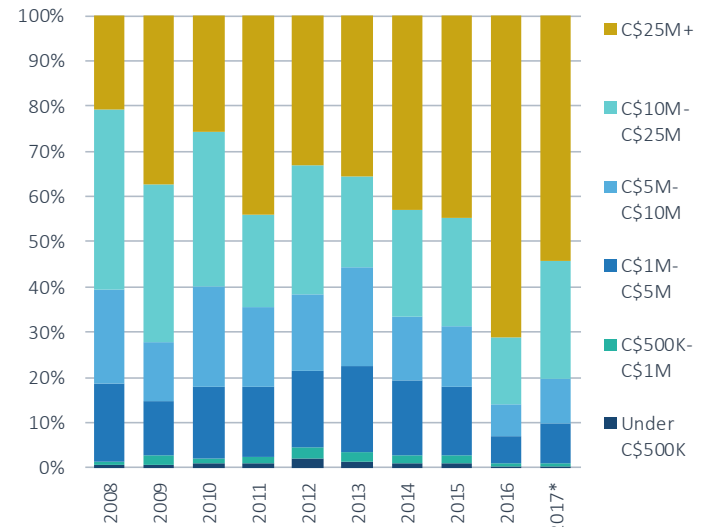
Canadian VC activity (#) by size



Source: PitchBook  
\*As of 9/30/2017

## 80% of value derives from deals of C\$10M+

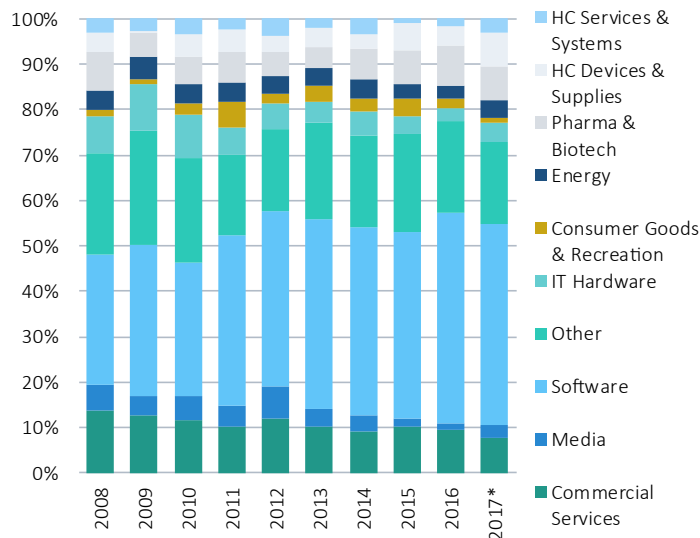
Canadian VC activity (C\$) by size



Source: PitchBook  
\*As of 9/30/2017

## 43% of deals completed in software companies

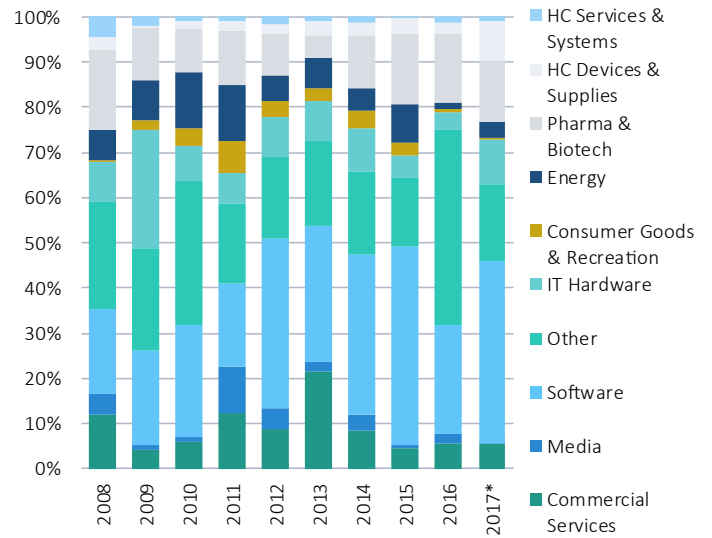
Canadian VC activity (#) by sector



Source: PitchBook  
\*As of 9/30/2017

## Most deal value trends stay steady over past few years

Canadian VC activity (C\$) by sector



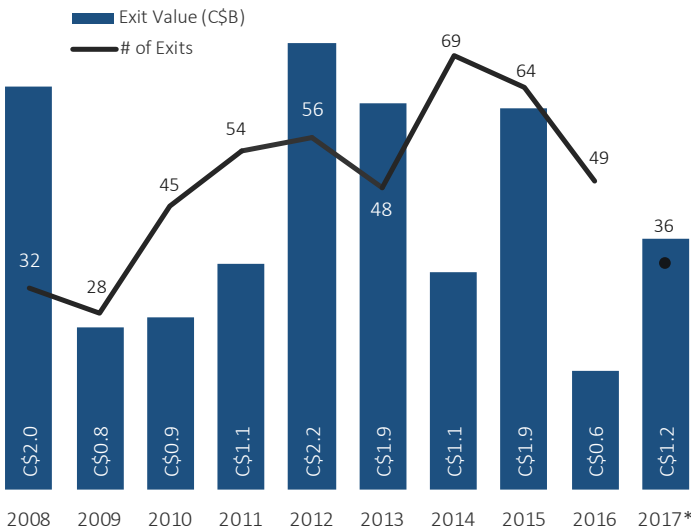
Source: PitchBook  
\*As of 9/30/2017

# Exits look to finish 2017 strong

VC-backed exits and fundraising activity

## Completed exits pacing to equal 2016 total

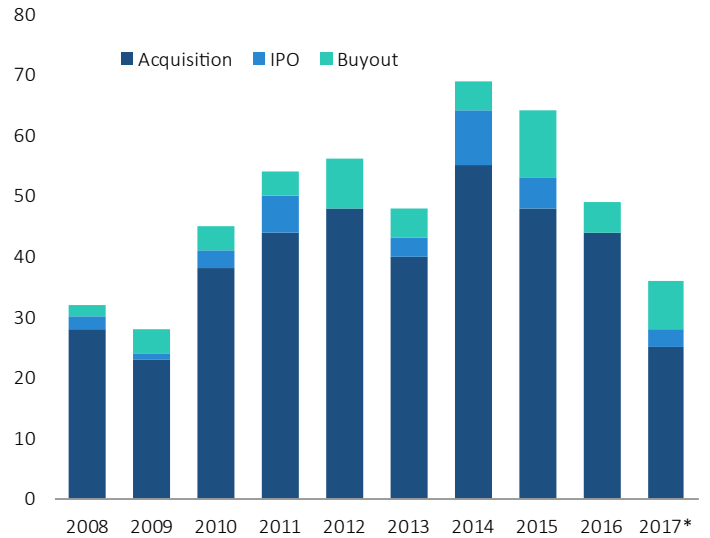
Canadian VC-backed exits



Source: PitchBook  
\*As of 9/30/2017

## Buyouts continue on while other exit routes fall

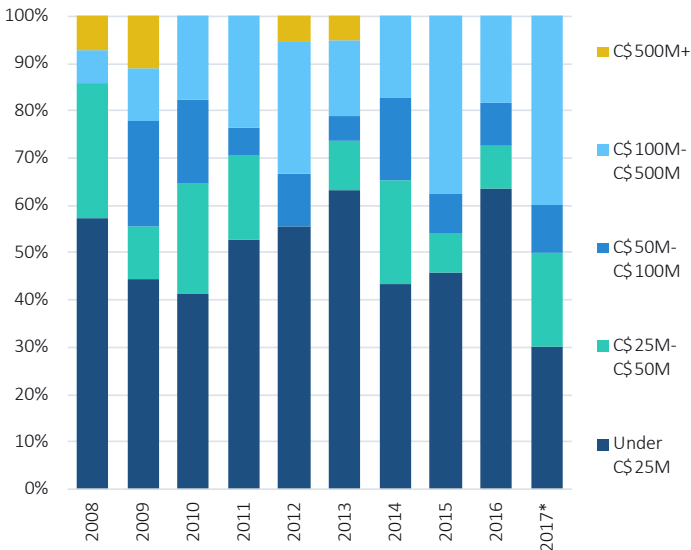
Canadian VC-backed exits (#) by type



Source: PitchBook  
\*As of 9/30/2017

## Exits of C\$50M+ reach highest proportion in decade

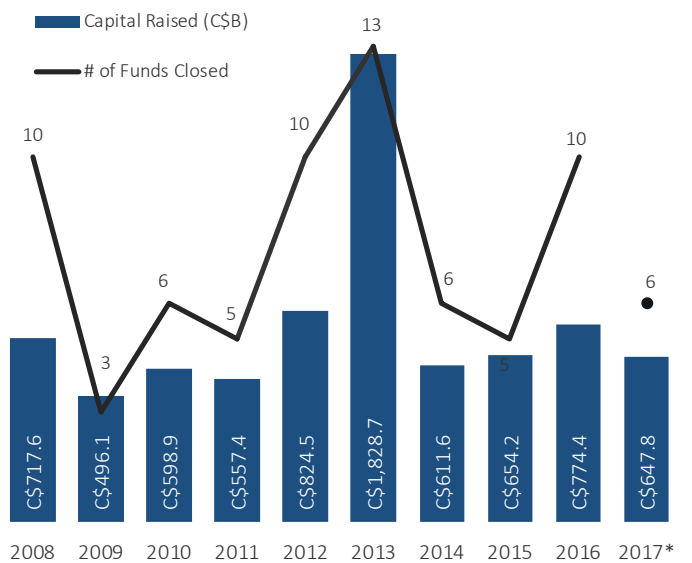
Canadian VC-backed exits (#) by size



Source: PitchBook  
\*As of 9/30/2017

## Canadian fundraising holds steady

Canadian VC fundraising activity



Source: PitchBook  
\*As of 9/30/2017

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