

The PitchBook logo, featuring a stylized white icon of a book or document to the left of the word "PitchBook" in a white sans-serif font. The background of the entire cover is a photograph of a city skyline at dusk, with several skyscrapers illuminated from within, and the CN Tower visible in the distance. A large, abstract orange shape is overlaid on the left side of the image, partially obscuring the buildings and the text.

PitchBook

Canadian PE & VC FactBook

2018 Annual

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Key takeaways

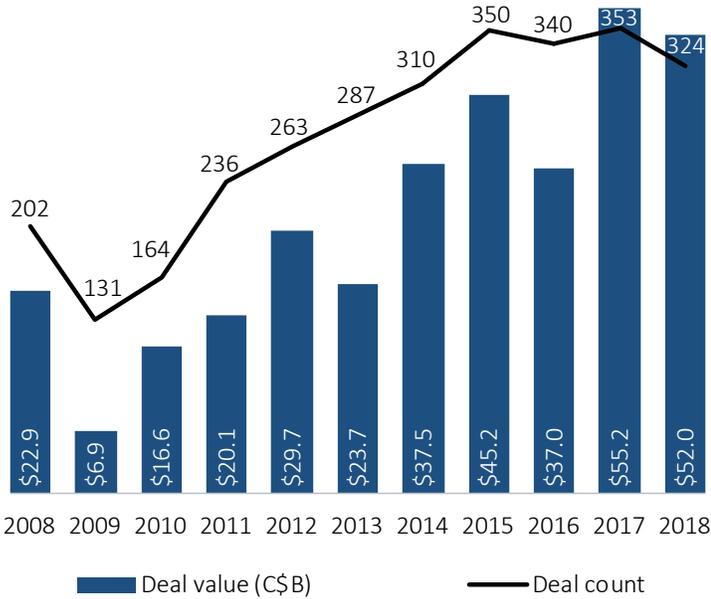
- Canadian PE deal flow remained robust in 2018, notching the second-highest aggregate deal value of the decade at C\$52.0 billion across 324 transactions. Each of the past four years has seen well over 300 completed PE transactions in Canada.
- Venture activity soared to a record high in VC invested last year despite fewer than 500 completed transactions, with domestic startups amassing C\$3.8 billion in capital.
- VC-backed exits in Canada held steady in terms of volume in 2018, although aggregate exit value remained more variable as has been the case historically, at C\$1.1 billion total.
- Contrarily, PE-backed exit value hit C\$35.2 billion, the second-loftiest tally ever, in 2018. PE sellers have remained quite active for the past five years straight, nearly hitting 100 completed transactions per year.
- After a record tally of C\$11.6 billion in 2017, domestic PE fundraisers took 2018 off, with only two funds closing on C\$1.2 billion.
- Venture fundraising also entered a slump, with only three vehicles amassing nearly C\$220 million last year. What's more intriguing about the venture tally is how low it is relative to historical totals; the fundraising cycle in Canada is likely resetting.



Garrett James Black
Senior Manager, Custom Research & Publishing

PE deals

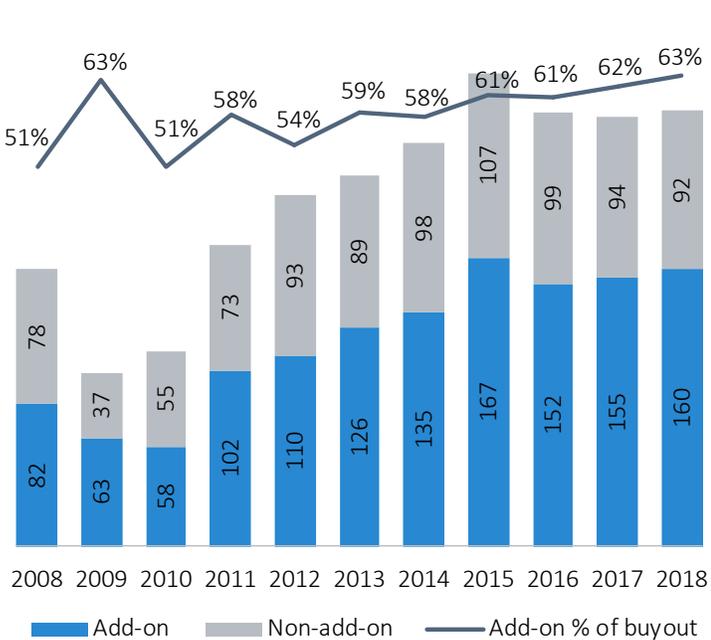
Canadian PE deal activity



Healthy Canadian PE activity in 2018 has been significantly bolstered by the popularity of the add-on strategy, which accounted for a record proportion of all buyout activity last year.

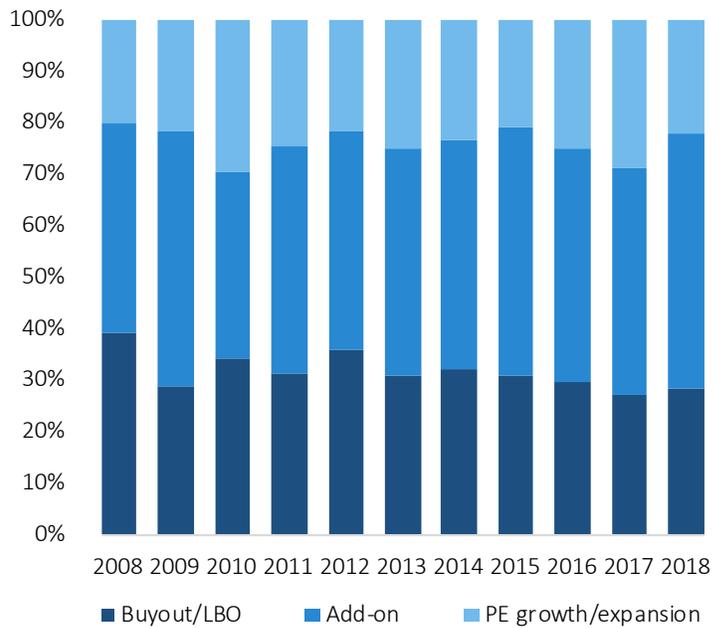
Source: PitchBook

Canadian PE add-on deal activity



Source: PitchBook

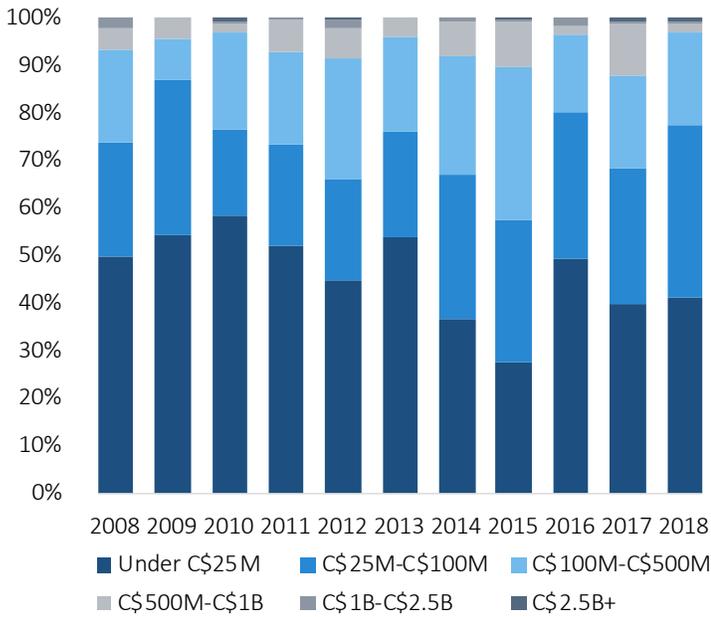
Canadian PE deals (#) by type



Source: PitchBook

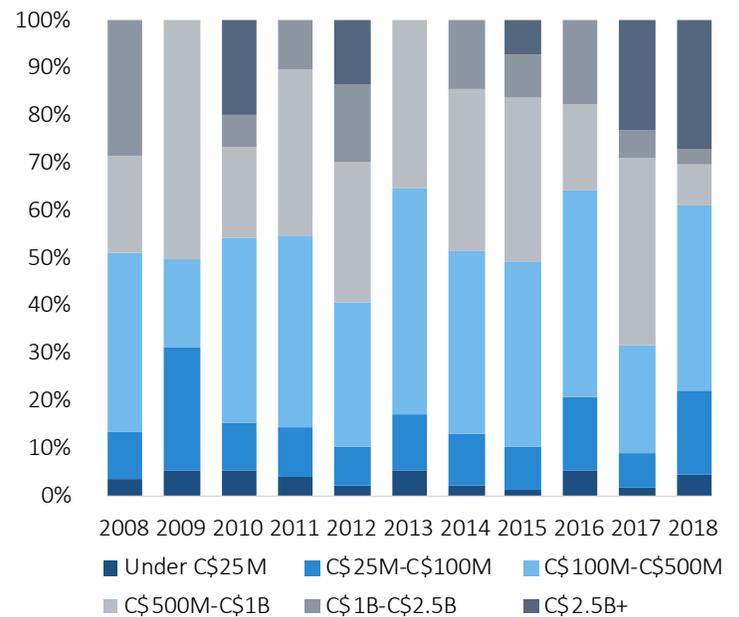
The typical PE stalwart, B2B accounted for a plurality of add-ons made last year, but tech companies remained an active arena of interest for PE buyers as well, sustaining its proportion of deal flow at over 20%.

Canadian PE deals (#) by size



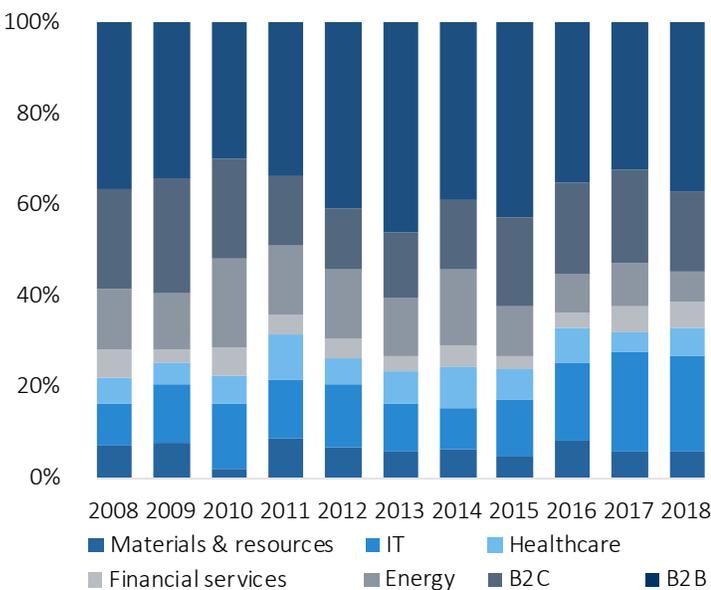
Source: PitchBook

Canadian PE deals (C\$) by size



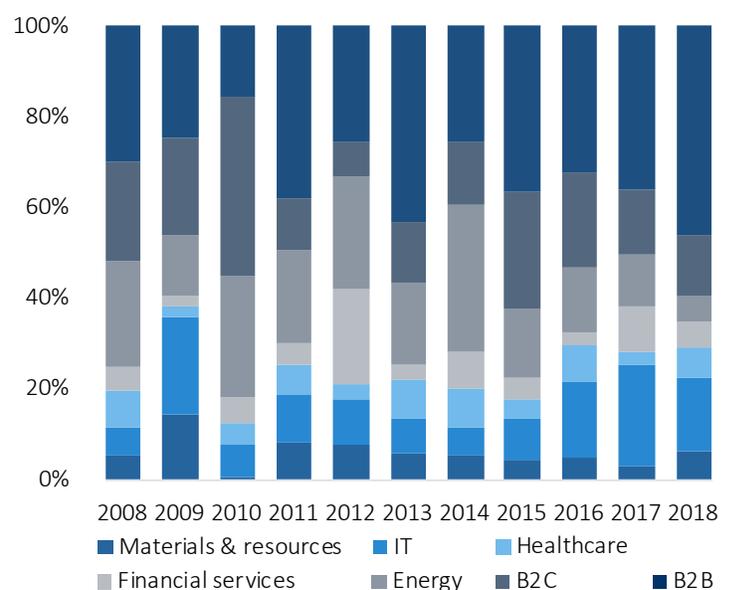
Source: PitchBook

Canadian PE deals (#) by sector



Source: PitchBook

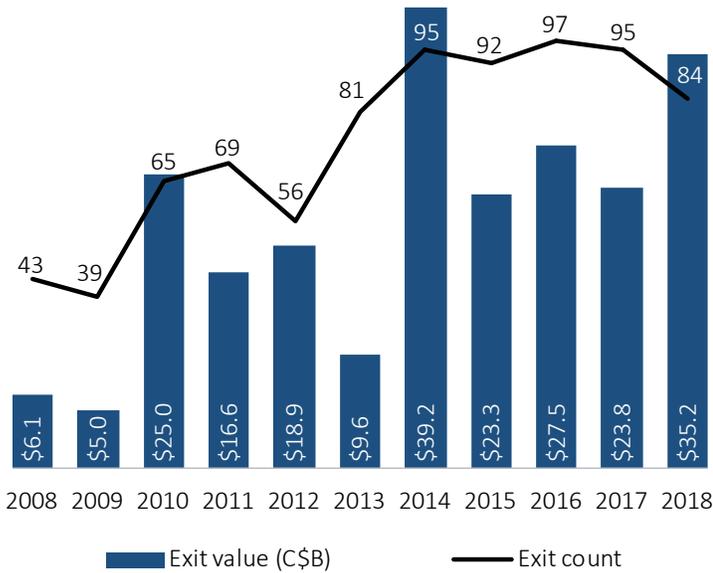
Canadian PE deals (C\$) by sector



Source: PitchBook

PE exits

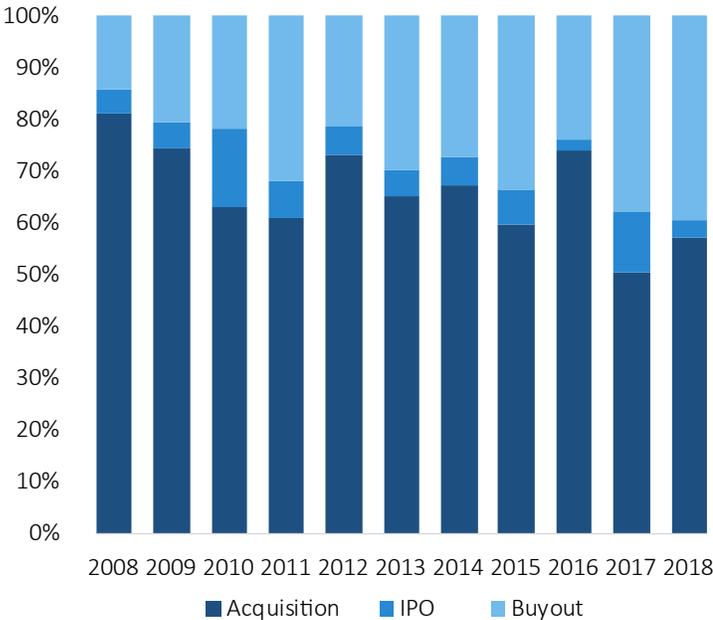
Canadian PE exit activity



Given overall exit volume, certain trends such as the increasing popularity of secondary buyouts can exert an outsized effect, but Canada saw an unprecedented turn of events in 2018 when sponsor-to-sponsor sales accounted for a majority of PE-backed exit value.

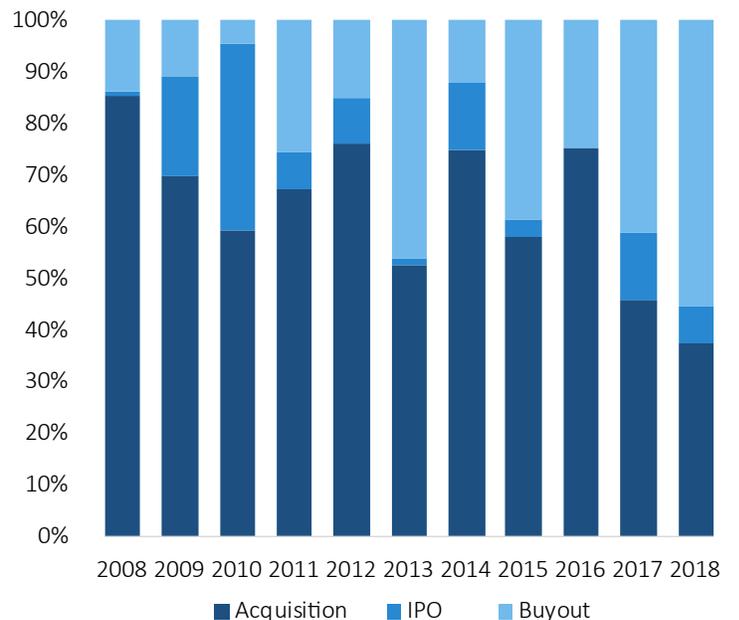
Source: PitchBook

Canadian PE exits (#) by type



Source: PitchBook

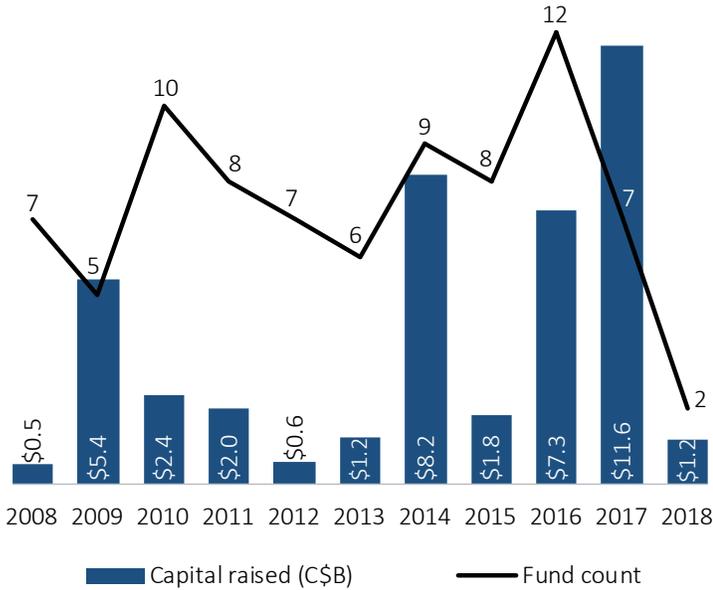
Canadian PE exits (C\$) by type



Source: PitchBook

PE fundraising

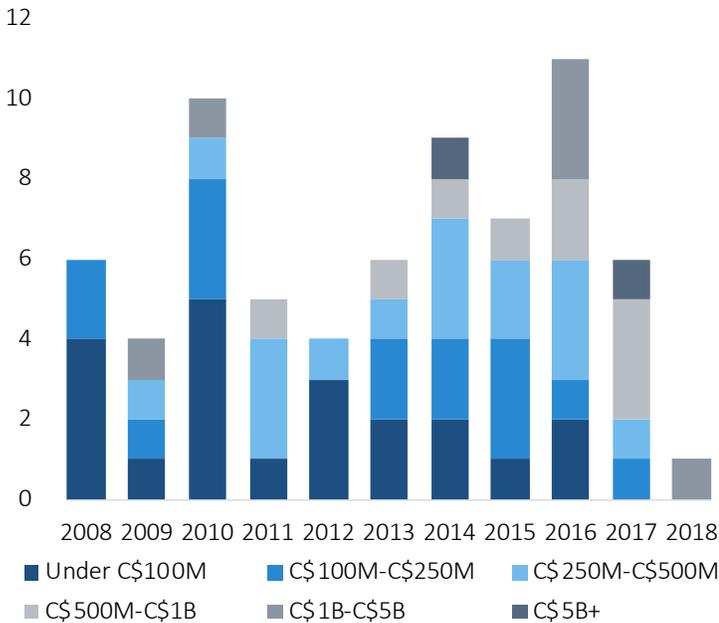
Canadian PE fundraising activity



A blockbuster 2017 was followed by a sluggish bout of fundraising for Canada last year, with only two vehicles closing upon C\$1.2 billion in total. Given the aggregate of C\$30.1 billion raised since 2014's start, however, and the increase in cross-border investment activity, the local fundraising cycle is likely resetting.

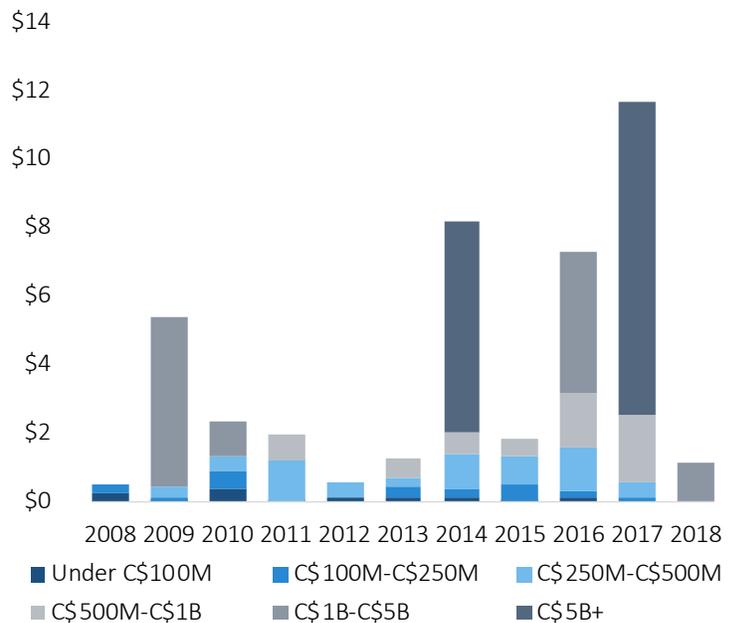
Source: PitchBook

Canadian PE funds (#) by size



Source: PitchBook

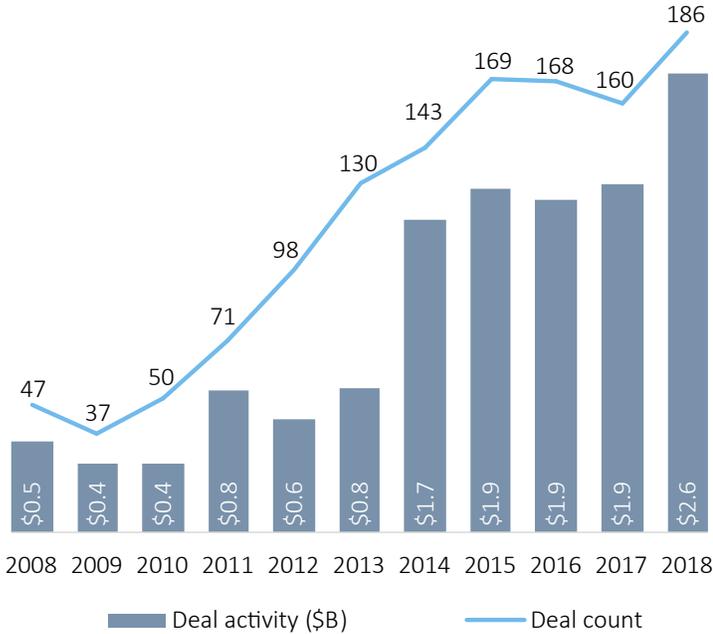
Canadian PE funds (C\$) by size



Source: PitchBook

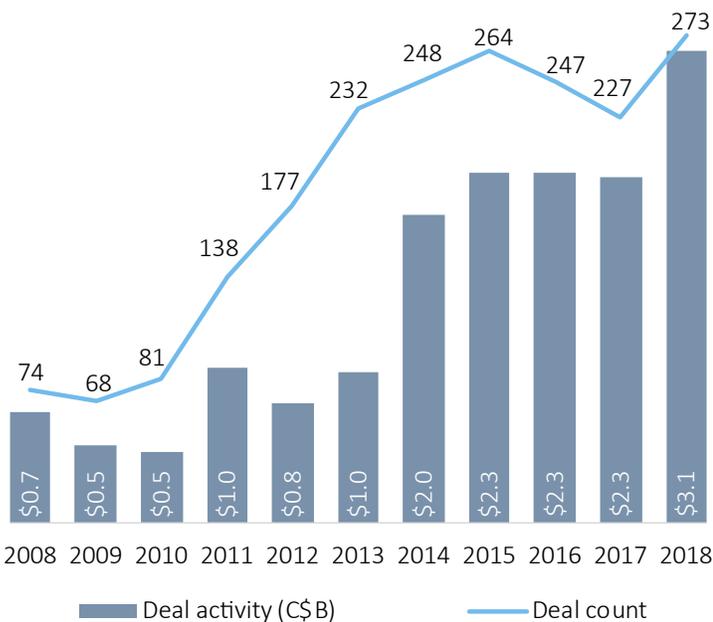
Spotlight: Foreign investment

Canadian VC deal activity with US participation

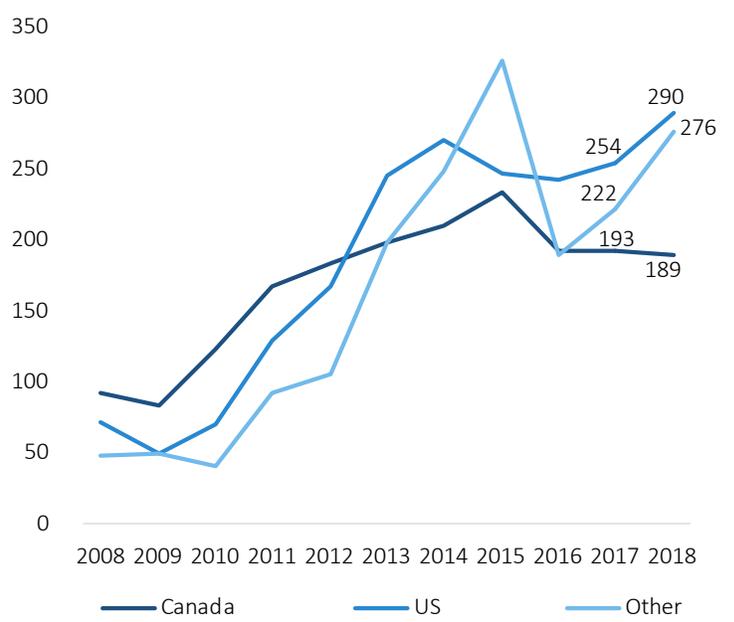


Key drivers of increasing US-based investor participation include potentially lower costs of living (relative to US coastal epicenters of VC like the Bay Area), burgeoning tech ecosystems in Vancouver, Montreal, Toronto, and Quebec, a surplus of capital to dispense and more. VC investment with US participation has soared to an all-time high, accounting for 186 of the 273 cross-border transactions completed last year, although other firms abroad are hot on their heels.

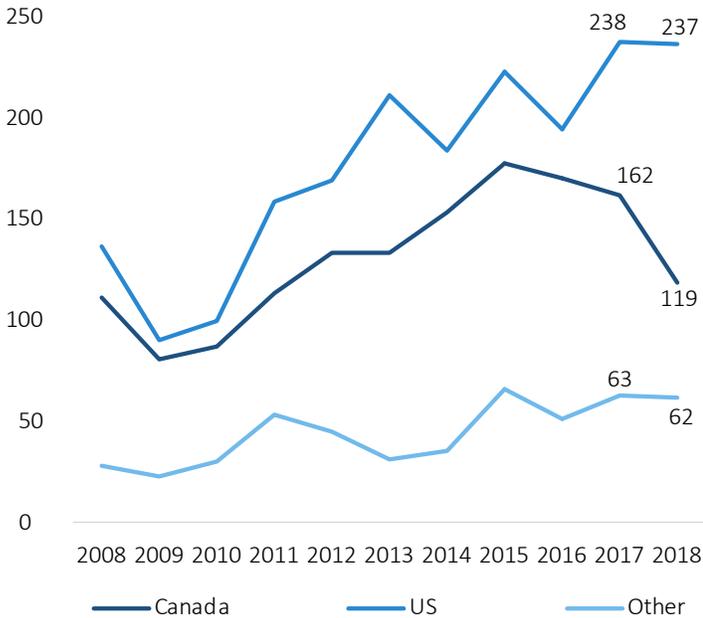
Canadian cross-border VC deal activity



Canadian unique investors (#) in VC deals by location



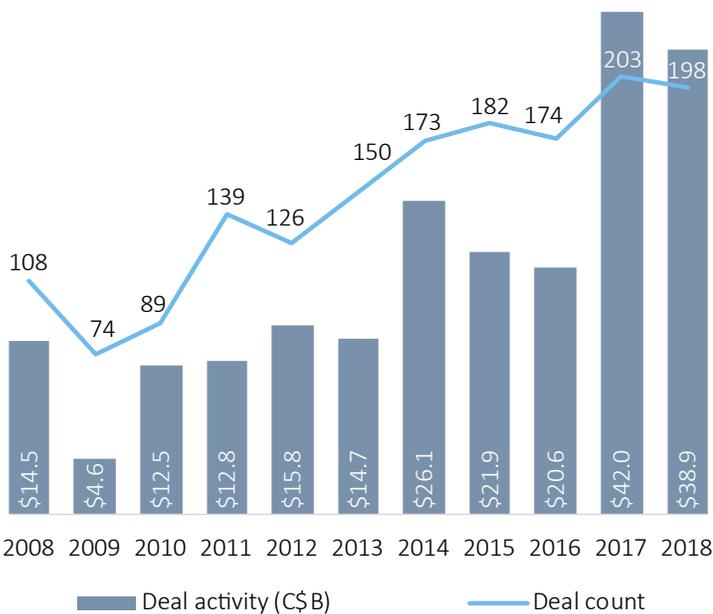
Canadian unique investors (#) in PE deals by location



Source: PitchBook

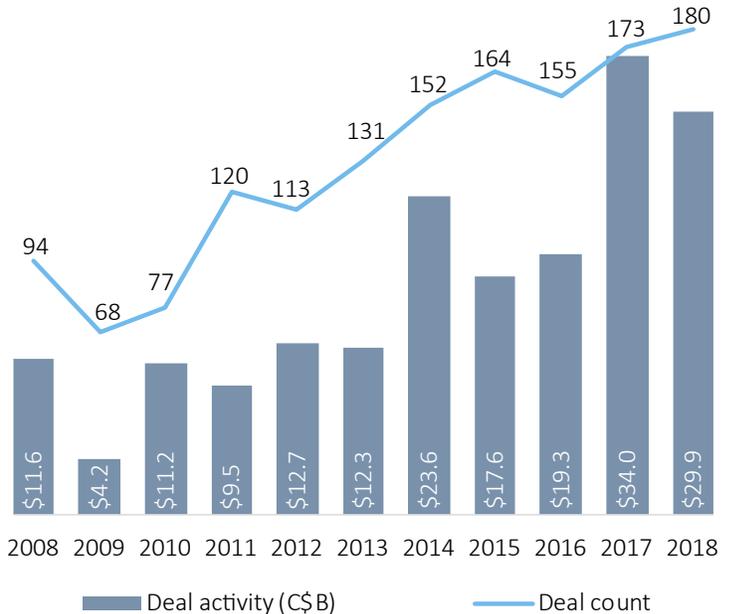
Cross-border PE activity remained highly dynamic in 2018. Of the C\$52.0 billion worth of deals closed last year, a clear majority of almost C\$39 billion involved outside investors. Even more strikingly, PE activity with no domestic investor involvement soared to a new high of 180 transactions in 2018, for C\$29.9 billion in total.

Canadian cross-border PE deal activity



Source: PitchBook

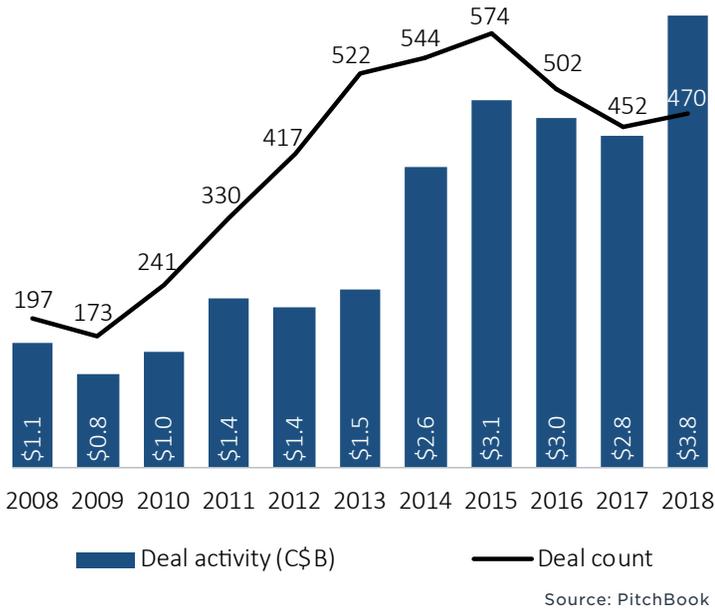
Canadian cross-border PE deal activity with no participation from Canadian investors



Source: PitchBook

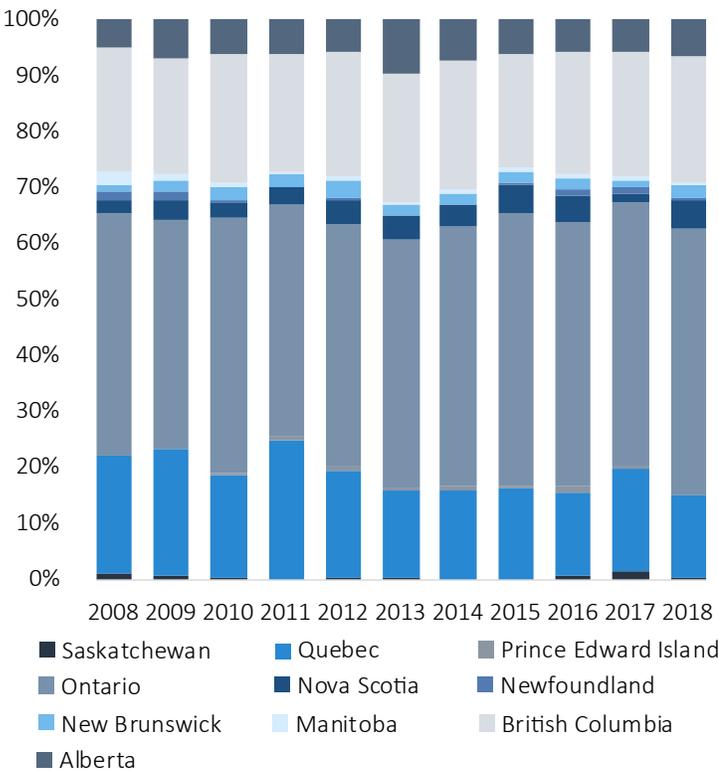
VC deals

Canadian VC deal activity

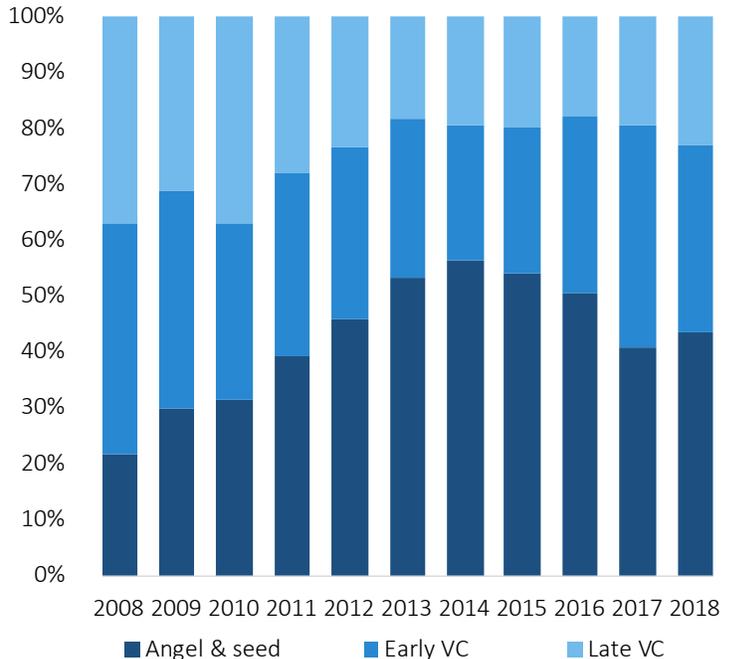


C\$3.8 billion of venture investment closed last year in Canada, despite overall volume remaining well below the record of 574 financings tallied in 2015. The decline in volume is due primarily to diminishing angel & seed activity, while more maturing Canadian startup ecosystems have been able to produce companies capable of raking in C\$25 million+ rounds.

Canadian VC deals (#) by province

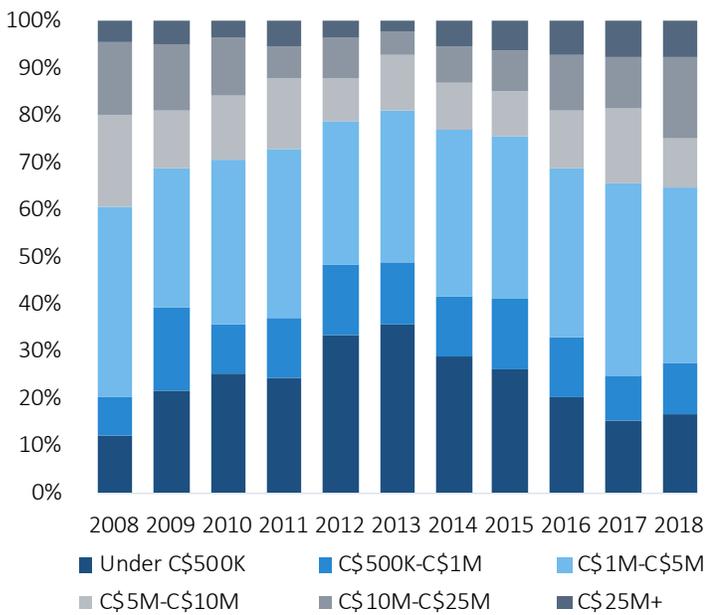


Canadian VC deals (#) by stage



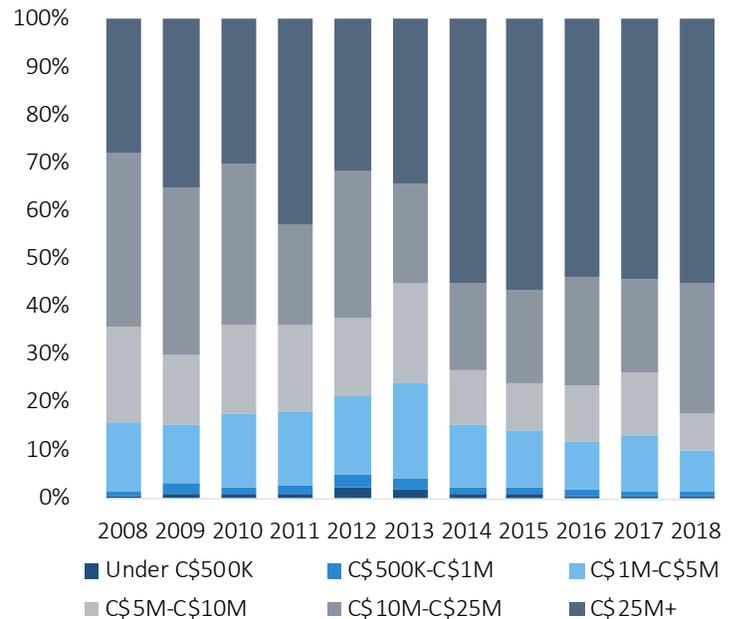
Software remains far and away the largest component of Canadian venture activity by sector, in a trend similar to other fast-developing, mature economies such as those across the European Union. And, aligning with global venture trends, there has been unmistakable inflation in financings, as evidenced by the growing proportion of rounds at least C\$5 million or more in the past few years.

Canadian VC deals (#) by size



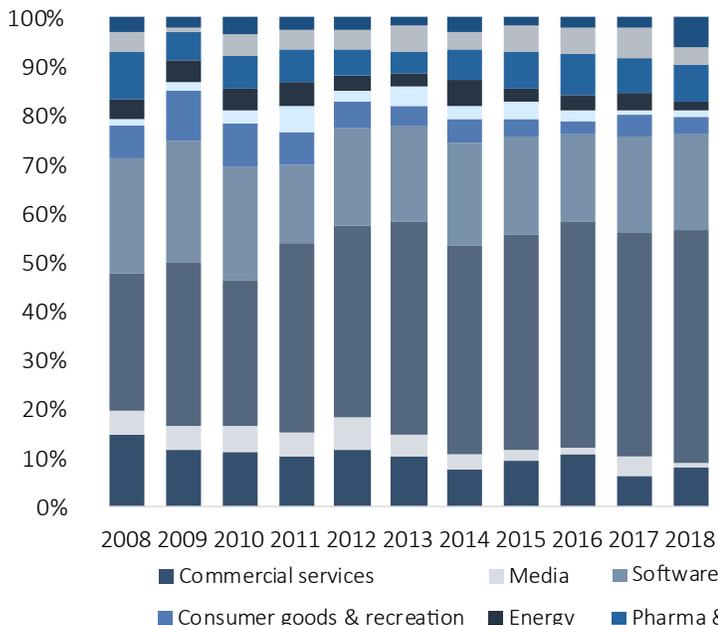
Source: PitchBook

Canadian VC deals (C\$) by size



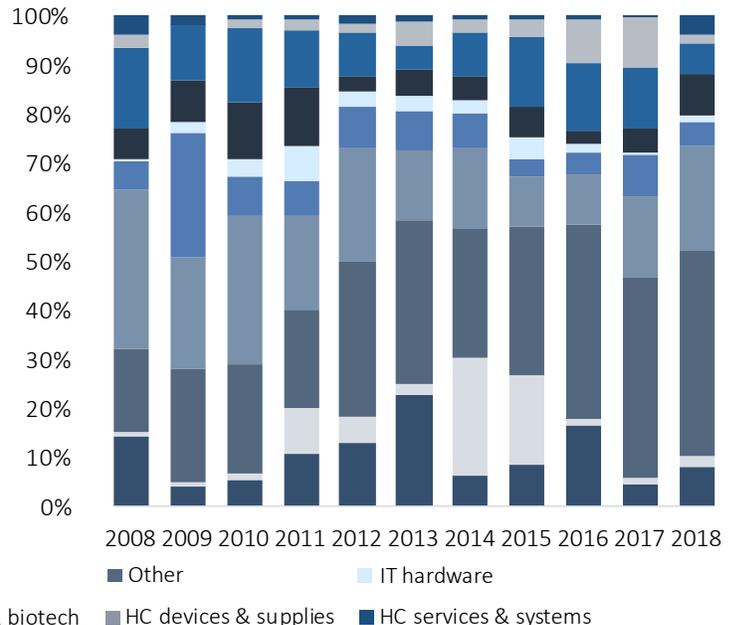
Source: PitchBook

Canadian VC deals (#) by sector



Source: PitchBook

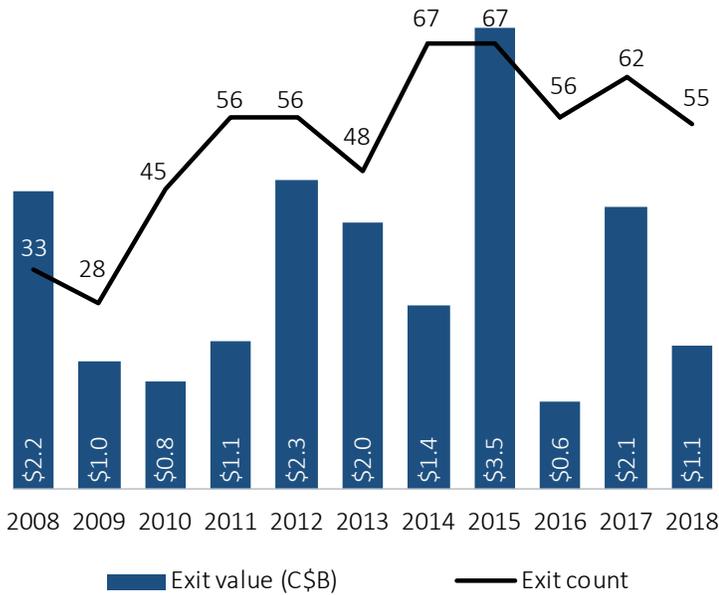
Canadian VC deals (C\$) by sector



Source: PitchBook

VC exits

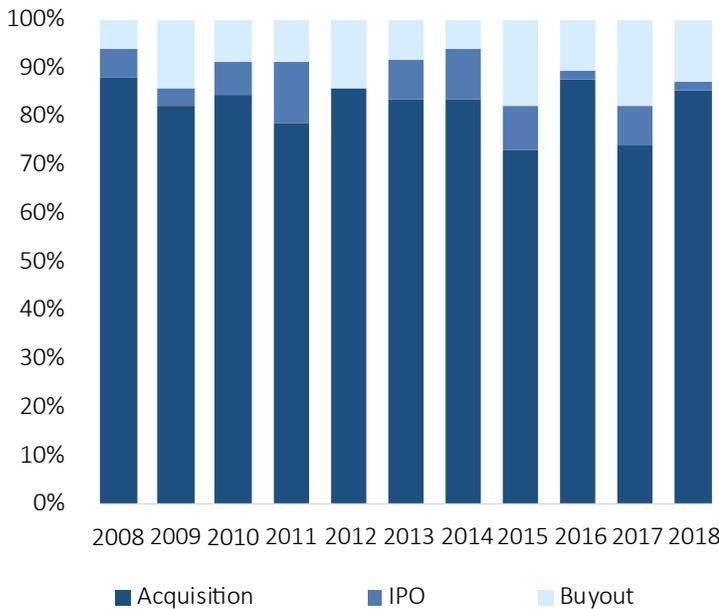
Canadian VC exit activity



Although down slightly in count from last year, it's more important to underline the steady stream of liquidity achieved by Canadian venture-backed sellers in the past five years, with 300+ transactions worth no less than C\$8.7 billion.

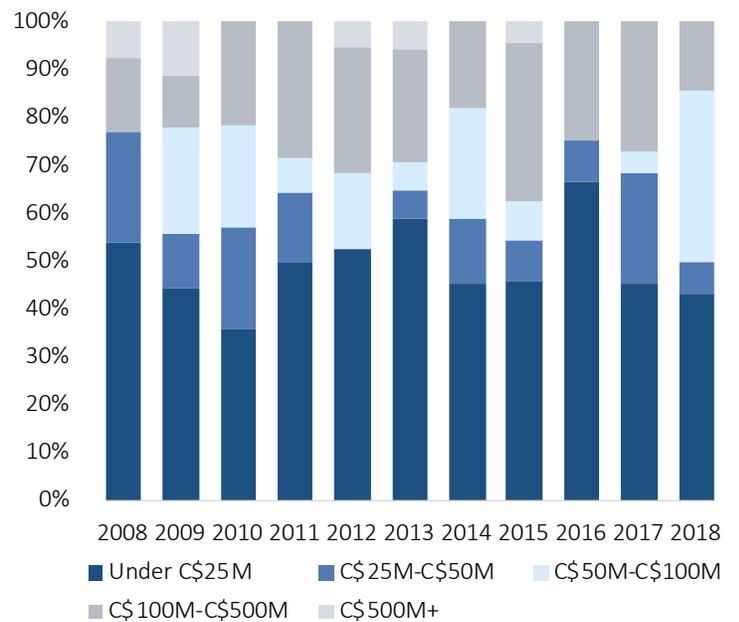
Source: PitchBook

Canadian VC exits (#) by type



Source: PitchBook

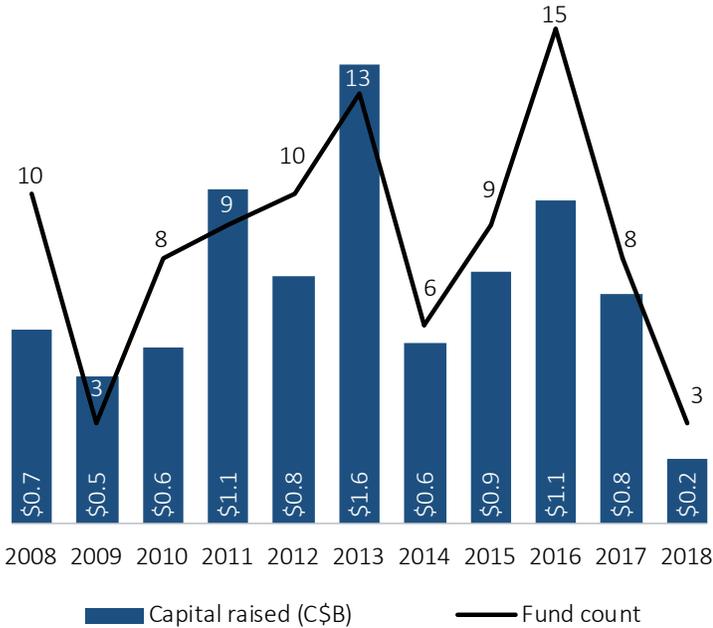
Canadian VC exits (#) by size



Source: PitchBook

VC fundraising

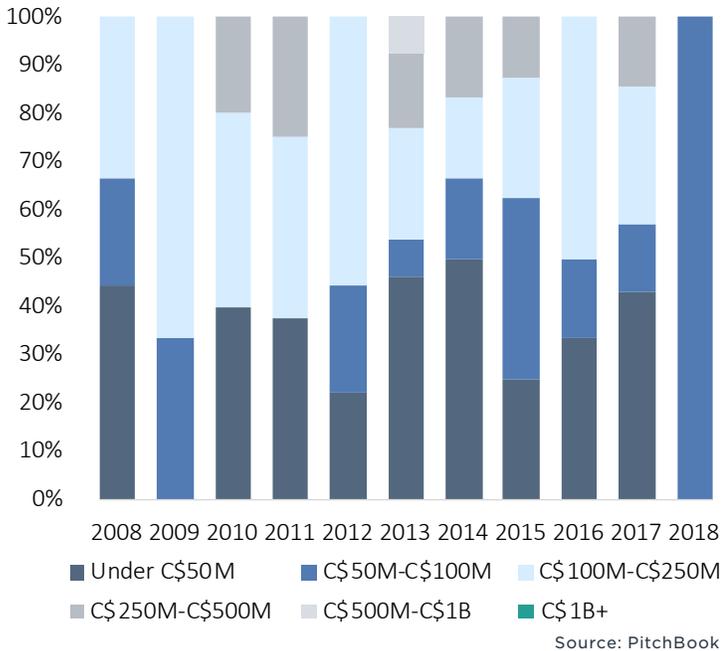
Canadian VC fundraising activity



Given the prevalence of outside investor interest, domestic fundraising on its own does not convey an accurate depiction of capital availability; the slump in activity last year could be more due to timing than other factors. It is worth noting that local firms may have to replenish coffers sooner rather than later to maintain the health of the company and capital pipeline, especially at the early stages.

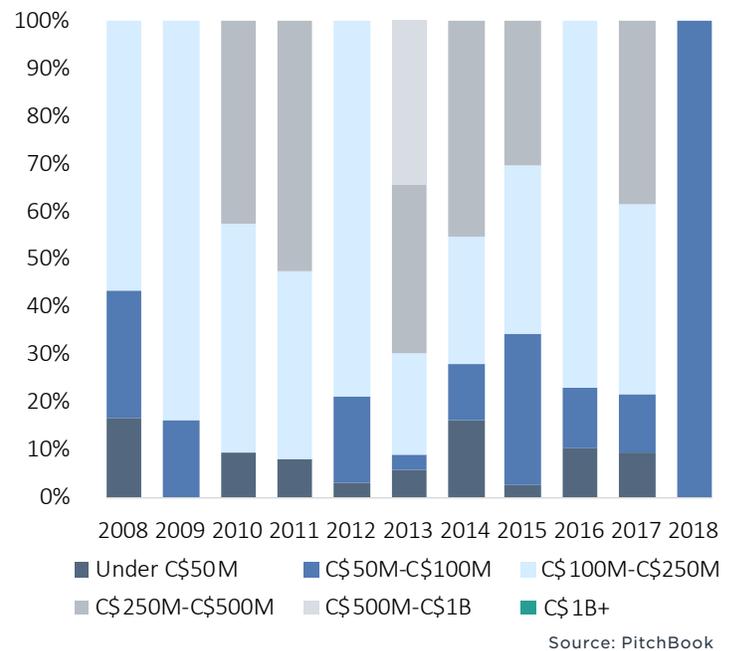
Source: PitchBook

Canadian VC funds (#) by size



Source: PitchBook

Canadian VC funds (C\$) by size



Source: PitchBook

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