



GREENSTONE
VENTURE PARTNERS

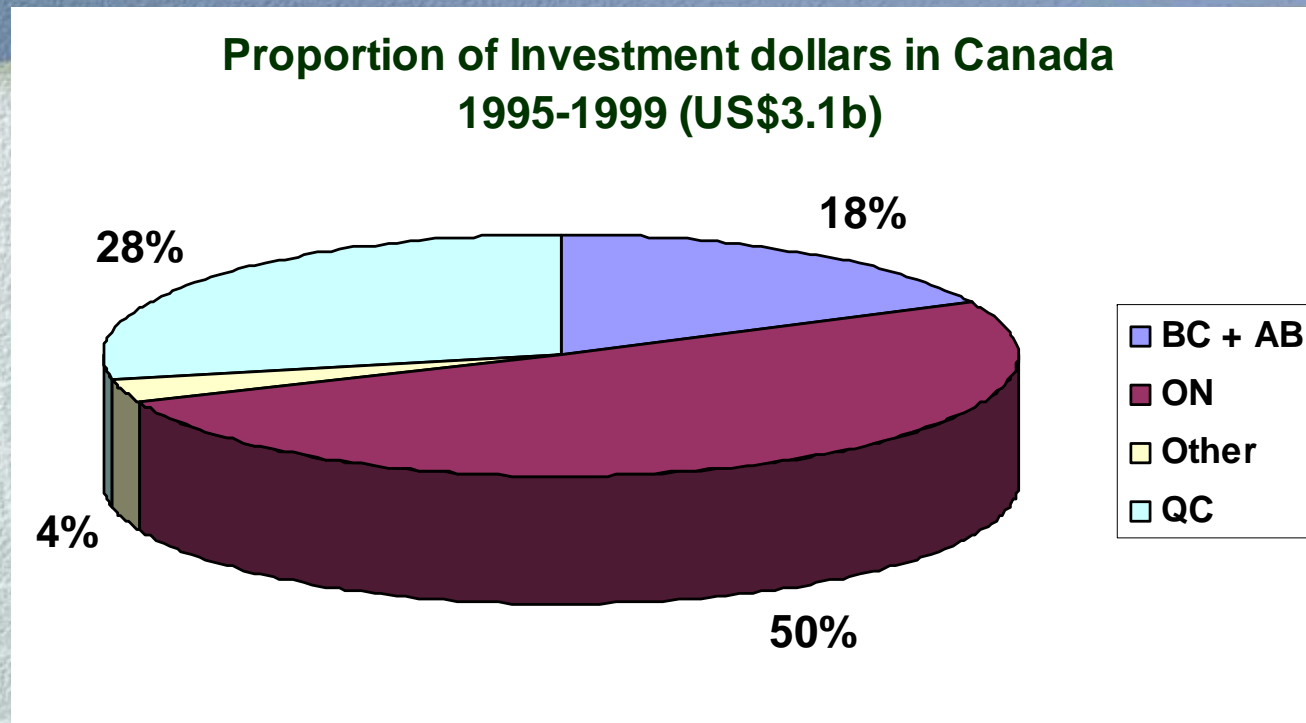
Are There Good Technology Opportunities in Canada?

**Toronto Financing Forum
March 2nd, 2005**

Study of M&A and IPO Exit Value

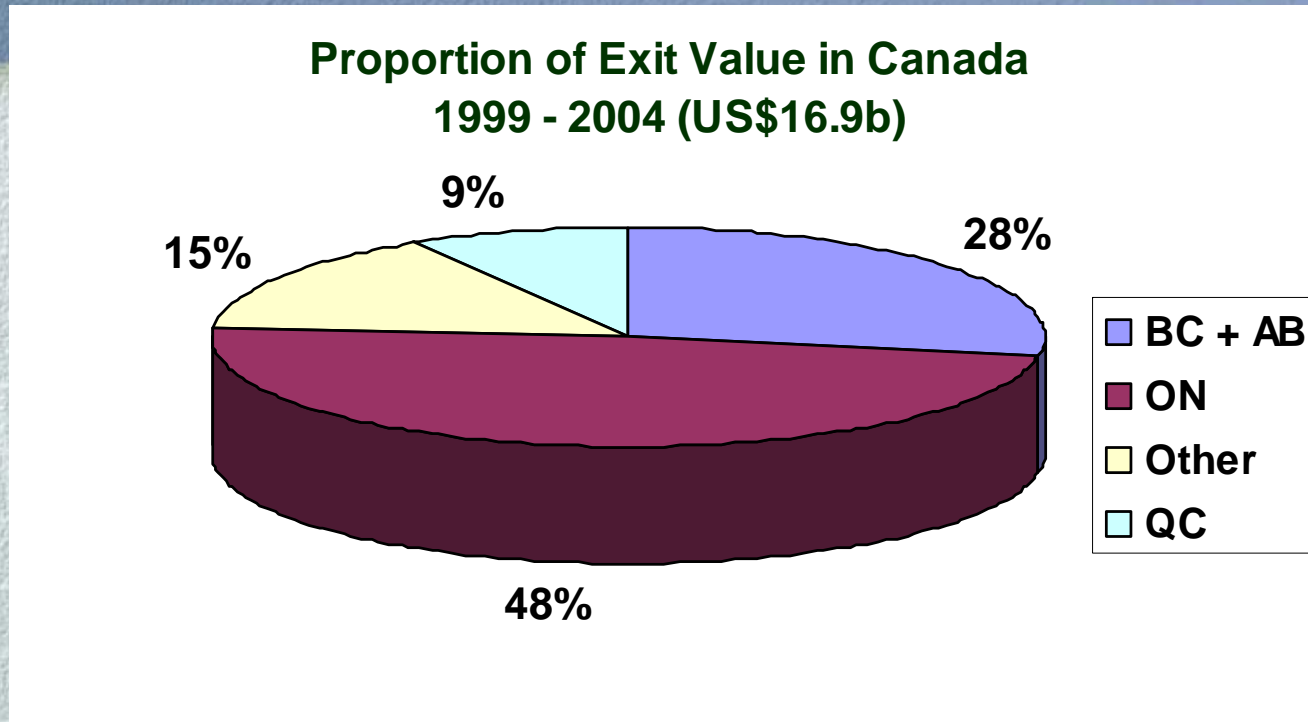
- Enough motherhood statements about Canada... LPs want to know: Where are the exits?
 - **No formal study of technology company exits ever done in Canada**
 - **Used investment data from 1995 to end of 1999 – Macdonald & Associates**
 - **Tracked all exits 1999 to end of 2004 – successful and not**
 - **Compared to US data**
 - **Traditional VC tech markets, no non-tech sectors included**
- Greenstone and Leading Edge BC teamed up to do the intensive study – 500 companies initially investigated. 2,200 companies now investigated!
- Wanted to see how the regions in Canada compared to one another and how Canada as a whole compared to the US
- Surprising results

Invested Dollars in Technology In Canada



- Macdonald & Associates data on VC investment in all stages in selected regions in Canada, removing non-technology investments
- Proportions are consistent with investment from 2000 to 2004 in these regions

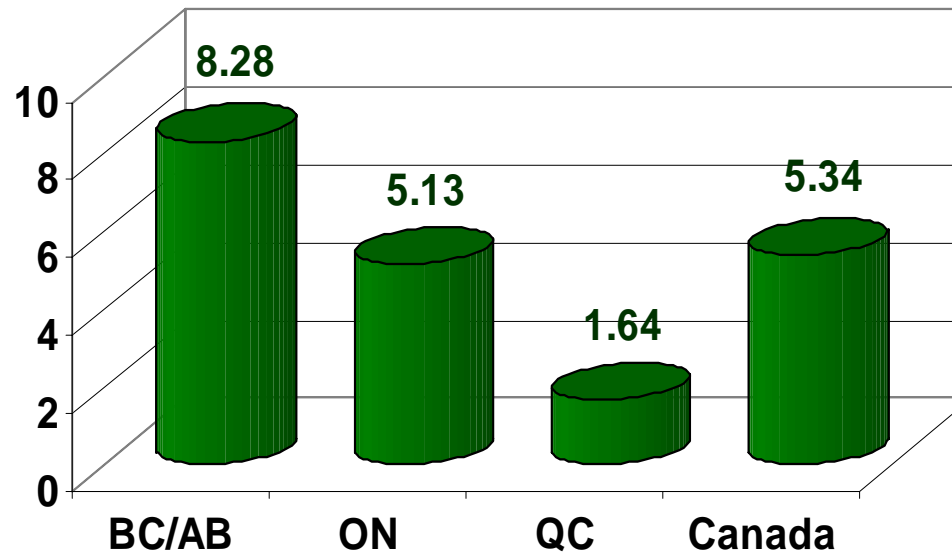
Exit Value Created by VC Backed Companies



- Ontario created the same proportion of value in exits as it receives in VC investment
- Quebec goes from 28% invested dollars to 9% of exit value
- BC and Alberta combine to create 28% of exit value from 18% of invested dollars

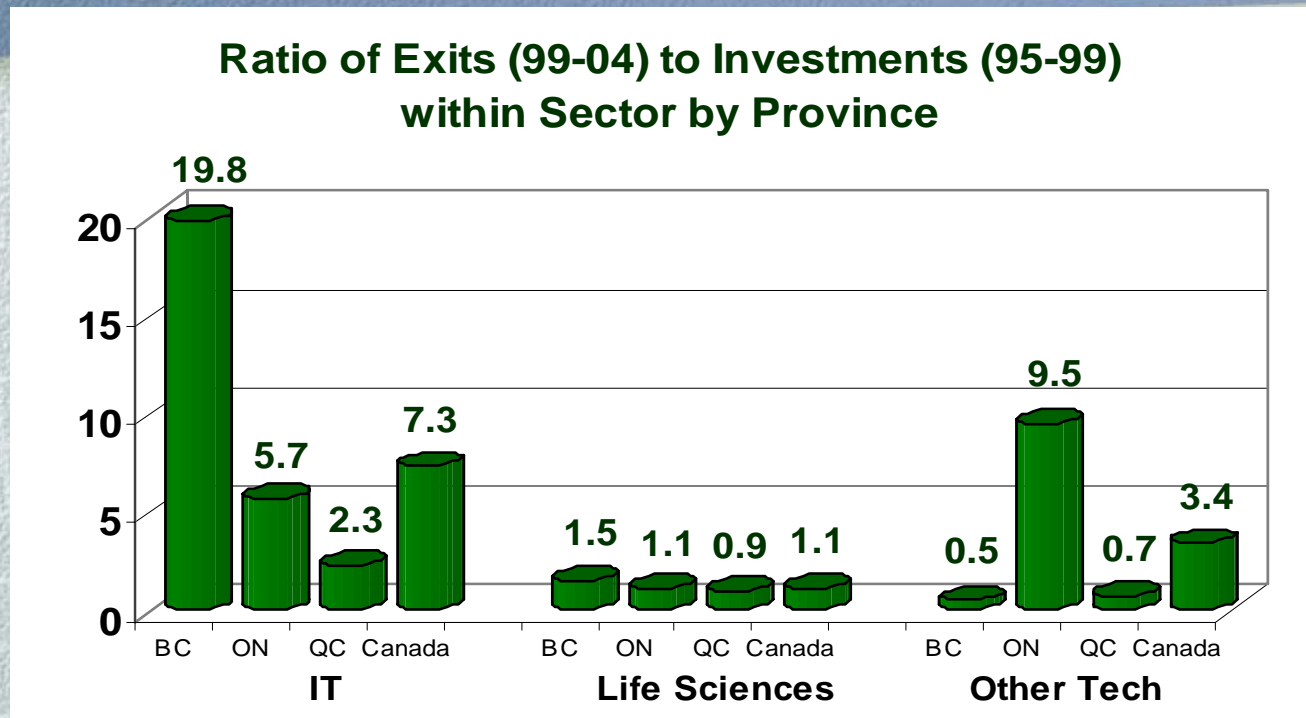
Regional Performance in Canada - IVR

Ratio of Exits (99-04) to Investments (95-99)



- Invested Value Ratio – Total enterprise value at exit divided by the total VC dollars invested. A means of comparing regions on capital efficiency of VC
- Simply a way to combine the two previous pie charts in a meaningful comparison

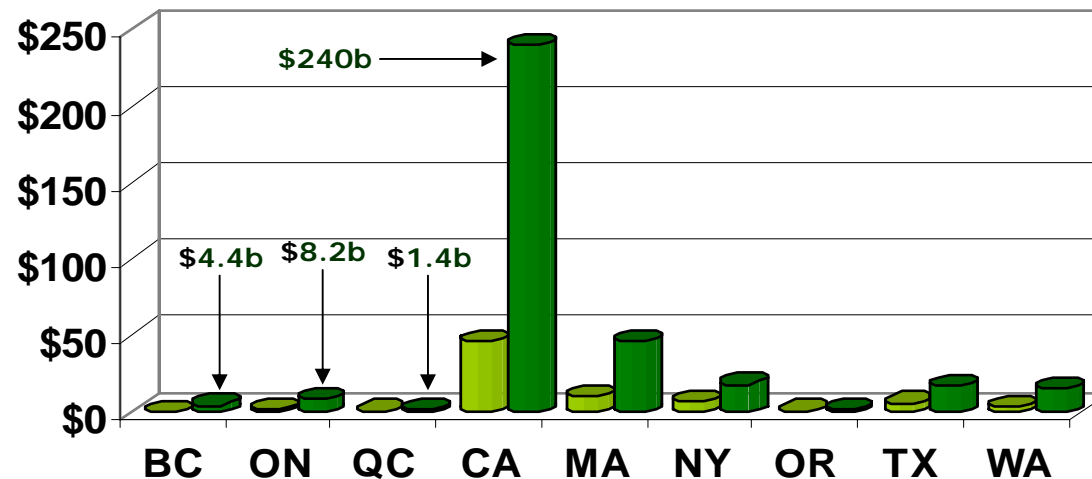
Sector Breakdown of Canadian Regional IVR



- Clearly, IT was the place to be in the 1995-2004 timeframe in Canada, especially in BC
- Life Sciences might be affected by the size of the exit window and going forward is likely to improve
- Other tech includes mostly alternative energy where the 'n' is simply not large enough yet

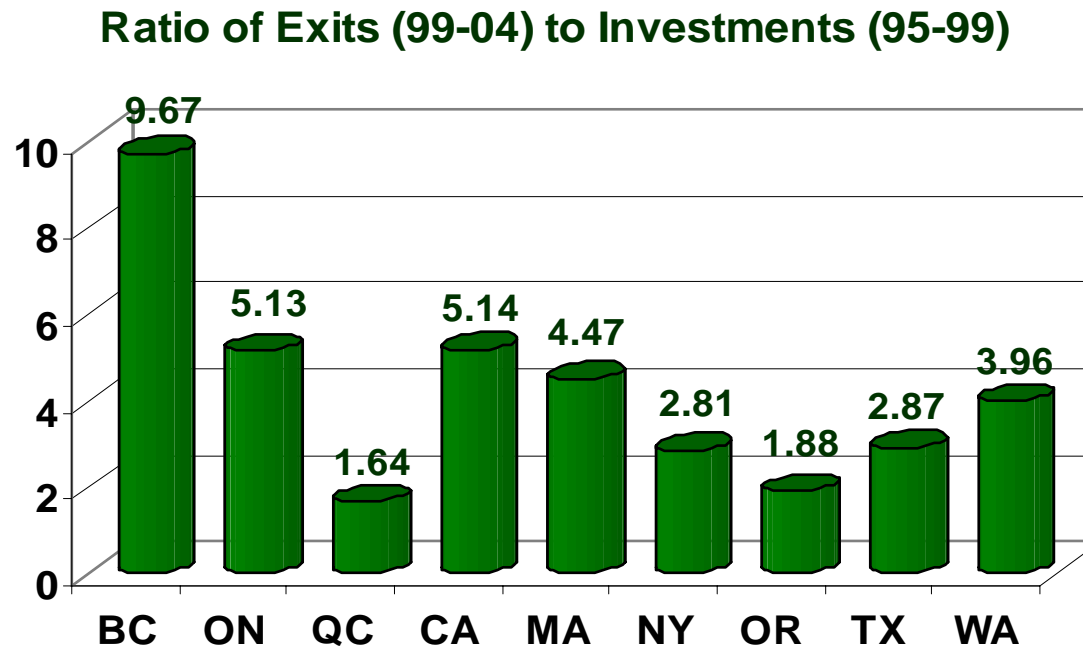
Investment and Exit Value in N.A. Regions

Selected N.A. Regions
Investments 95-99 and Exits 99-04 (in US\$b)



- In absolute dollars, Canadian regions are small compared to the US in invested dollars and in exit value
- CA and MA are in a different league and absolute comparison is better made with other smaller regions

Regional Performance in N.A. - IVR



- CDN regions compare well to major US technology centers using IVR
- Only Maryland had a better IVR than BC in this time frame in N.A. regions with > US\$300m invested between 95 & 99
- Canadian IVR was 5.34 compared with US IVR of 4.15

Conclusions and Discussion

- Reminder: Not returns for VCs, but the creation of value in venture backed companies
- BC entrepreneurs have made more with less, a mantra of Canadian technology companies
- Using 50% investor ownership rule of thumb in successful exits (conservative), an IVR of 2 or less for a region is not returning its capital
- Other data points to note:
 - CDN ratio of successful M&A to IPO exits is much higher than US and M&A median exit value is lower
 - Possible Conclusion: CDN companies sell early due to lack of later stage money
- There is fertile ground to be mined in BC and Ontario