

**Tech Investments Continue Downward Trends  
But tech recovery might finally be here**

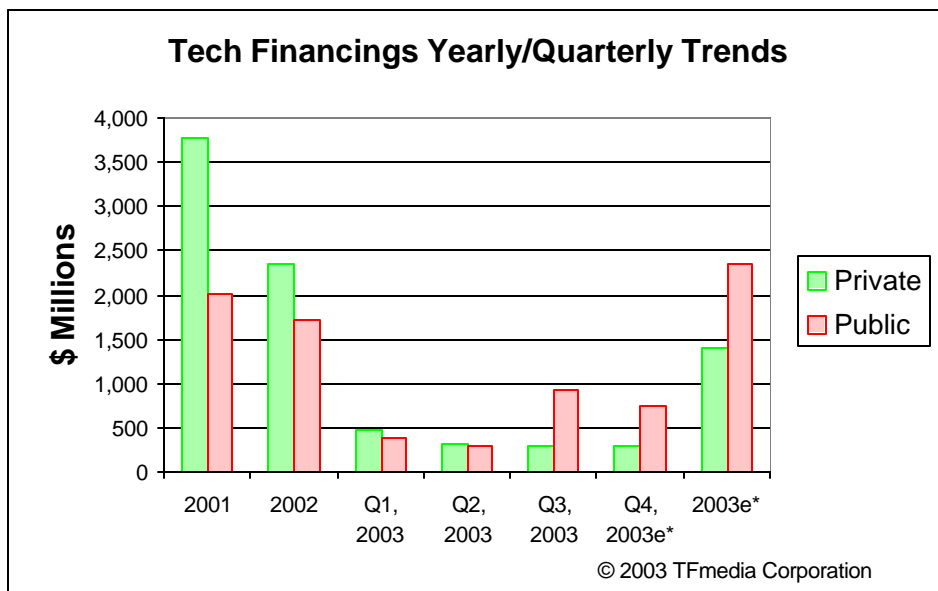
As it was the case in 2002, technology investing in Canada continued to struggle for recovery for the first nine months of 2003. With the exception of life sciences' sharp increase in public market activities, virtually all major sectors in both private and public financings were down. For the first nine months of 2003, private tech companies secured almost \$1.1 billion while public tech companies garnered \$1.6 billion.

**Quarterly Trends Show Stabilization**

Public tech financings showed a dramatic upturn in Q3 2003, up to \$918 million from \$294 million in Q2, 2003. The increase was largely driven by life science financings. The final 2003 public financings figures shall easily surpass the 2002 numbers.

Private tech financings continued downward trends in Q1 and Q2; however, Q3 numbers came very close to the Q2 numbers, showing a ray of hope that private technology financings were stabilizing.

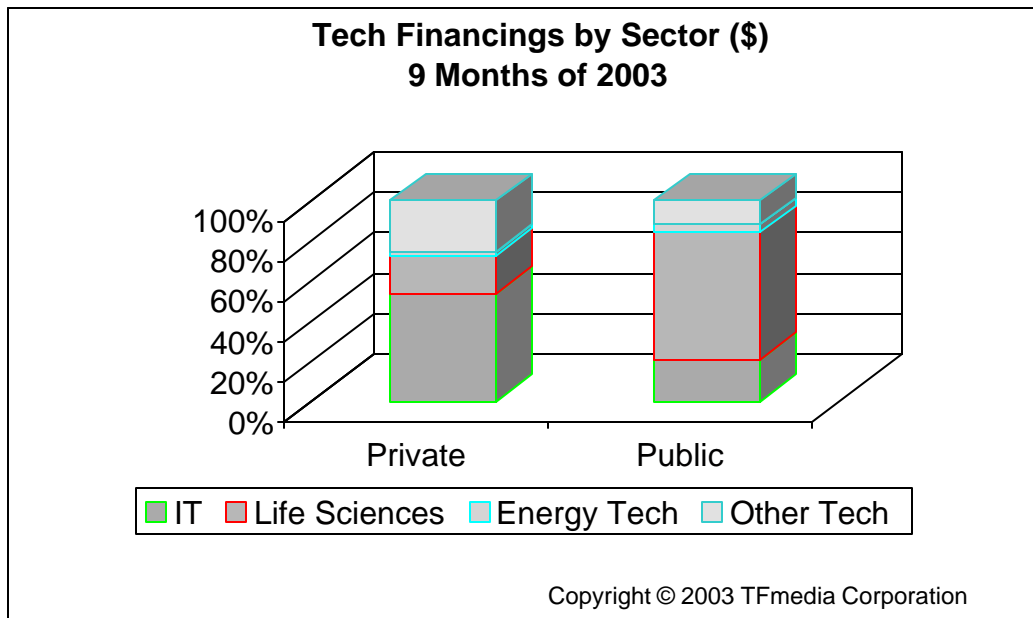
So far, based on incomplete data from October and November, the estimated final Q4 figures should be comparable to Q3 numbers. The preliminary Q4 figures may be the sign that the tech recovery might finally be around the corner.



**Software and Life Sciences Dominate**

IT companies in the first 3 quarters of 2003 attracted almost \$588 million or 53.7% of total private tech disbursements. Software companies secured \$177 million, ahead of media/entertainment (\$145 million) and telecom equipment (\$112 million) companies. Environmental (\$111 million), Biotech (\$94 million), Genomics/Proteomics (\$67 million), Semiconductor (\$63 million), Electronics (\$40 million), System Integrator/Solution Providers (\$35 million) and Telecom Software (\$35 million) rounded up the top 10 sectors in attracting private capital. Media/Entertainment would drop to 10<sup>th</sup> spot if the large deal done by Craig Media were excluded.

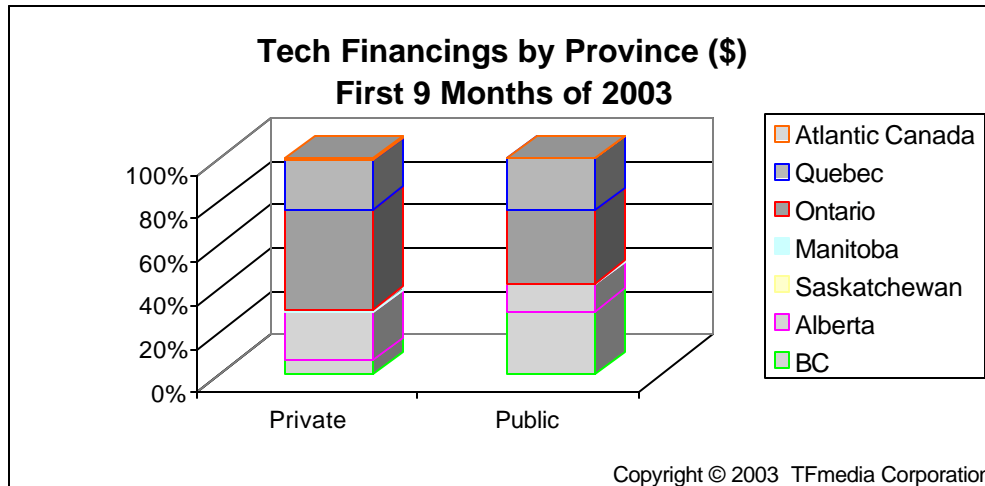
Life sciences deals dominated public tech financings, attracting over \$1 billion, or 63% of the total amount raised by all public companies for the first nine months of 2003.



**Ontario Remains as the Tech Capital Destination**

Private Ontario tech companies in the first 3 quarters of 2003 received \$505.8 million in 162 financings. Alberta ranked second with \$246.7 million just edged out Quebec with \$245.7 million in private tech financings. BC ranked as a distant fourth with \$71.6 million.

Public companies in Ontario in the first nine months of 2003 raised \$539.9 million. BC, Quebec, and Alberta ranked second, third and fourth with \$468.5 million, \$379.9 million and \$205.2 million respectively in securing public financings.



For the first time, Calgary temporarily replaced Ottawa as the top private capital destination in the first 3 quarters of 2003, mainly due to a large deal by Craig Media (\$110 million). If the Craig deal were excluded, Ottawa would remain as the undisputed leader in attracting private capital since 2001. In terms of public financings, it is a much different story for Ottawa. Ottawa ranks far behind other major tech centres in securing public financings. A well-developed public market in Ottawa might help the area in nurturing its private tech companies, so the companies could grow, rather than be acquired by foreign companies.

Contrary to popular belief, Toronto (416) tech companies have been attracting more than twice in private capital than its counterparts in the 905 areas since 2001.

From January 2001 to September 2003, Ottawa (613) companies received an accumulative amount of \$2.2 billion in private capital, almost twice of the amount raised by tech companies in Montreal (514/450) and Toronto (416). (note: Tech companies in 613 area code other than Ottawa were counted separately) The total amounts received by Montreal and Toronto tech companies were \$1.2 billion each since 2001. Vancouver (604) and 905 areas ranked 4<sup>th</sup> and 5<sup>th</sup> with \$772 million and \$527 million respectively.

**Angel Investors Increasingly Active in Private Tech Financing**

Since 2001, the amount invested by angel investors in private tech companies have been gradually increasing. Angel investors invested \$78 million in the first

nine months of 2003, up from \$57 million in 2001. The final 2003 angel investment amount is expected to exceed \$100 million. The angel share of total amount has been rising at a even faster pace. Angel financings accounted 7% of total amount invested in private tech companies for the first nine months of 2003, up from 2% in 2001.

During the first nine months of 2003, venture capital and private equity firms invested \$891 million in private tech companies. They also invested or participated in \$127 million worth of PIPE (Private Investment in Public Equity) financings. The amount invested in PIPE financings did not include the amount invested by venture capital or private equity firms in public deals in which they were minor players.

