

Canadian Tech IPO Performance: 2006 and 2007

TechFinance.ca releases its performance study on Canadian technology initial public offerings (IPOs) completed in the last two years. This study measures the tech IPO performance by comparing the initial IPO price against the 2007 year-end price.

To eliminate any undue stock market influence/fluctuation and to provide a useful performance indication, we have included several composite index performance benchmarks so that the IPO performance can be compared or analyzed in the context of general broad market.

Twenty-two (22) and nineteen (19) technology companies went public, raising approximately \$667 million and \$812 million respectively in 2006 and 2007.

Although majority of these companies chose to go public on the Toronto Stock Exchange (TSX) and the TSX Venture Exchange, a few tech companies have elected to go public on the London Stock Exchange's Alternative Investment Market (AIM), either listing solely or cross-listing its stock on TSX. It is worth of noting that two of the four sole AIM listed companies had since re-listed their stock on the TSX. One company had sold its assets and is no longer an operating concern.

Class 2006

22 technology companies went public in 2006 on five stock exchanges: TSX (6), TSX Venture (9), AIM (3), PLUS Markets plc (1), TSX/AIM (2), and TSX/Nasdaq (1).

By the end of December 2007, 8 of the 22 IPOs recorded positive stock price gains, 1 no gain, and 13 losses. 3 companies had since been acquired or its assets sold.

Evertz Technologies Limited (TSX: ET) went public in June 2006. Its IPO was the best performer, having gained 189% in stock price over its IPO listing price.

Although Corel Corporation's IPO on TSX in April 2006 was the largest, its stock has been underperforming; by the end of 2007, its stock had lost 33% of its IPO value.

Excapsa's IPO in February 2006 on the AIM was the second largest in 2006. The Internet gaming software developer raised £56.2 million. With the passing of the US *Internet Gambling Regulation and Enforcement Act*, the company sold its assets and the divestiture resulted in an approximately 30% of loss of its IPO price.

Venture-backed ESI Entertainment Systems (TSX: ESY), a provider of products and services to the gaming industry, has also been severely affected with the passing of the act; its stock price lost 85% of its IPO value. Royal Bank of Canada (RBC), a venture backer of ESI, in October 2007 surrendered all its holdings in ESI, being approximately 25% of ESI's total issued and outstanding common shares.

Venture-backed Medicago (TSX-V: MDG)'s IPO on TSX Venture in August was the smallest, raising \$2 million. Its stock lost 70% of its IPO value by the end of 2007.

Toronto based Silverback Media plc (PLUS: SBMP) in March 2006 acquired the business assets of former Lemontonic Inc. and went public on the PLUS Markets plc in November 2006. It raised approximately £2.1 million. Its stock price declined 67% from its IPO price.

Among the 22 tech companies, 12 were venture-backed with 4 having shown positive price gains, 1 no gain, and 7 losses.

Class 2007

In 2007, 19 tech companies went public on four stock exchanges: TSX (10), TSX Venture (5), TSX/AIM (2), AIM (1), and Nasdaq (1).

Unlike their counterparts in 2006, the majority of the 2007 IPOs were completed on mature and larger exchanges. As a result, those companies raised substantially more money even the total number of IPO was slightly smaller in 2007.

Almost two-thirds of the 19 IPOs were completed in later half of the year; the price performance measurements in many cases unlikely are true indicators of their performances. The measurements are included for reference only.

6 companies' stock showed positive price gains while 13 others recorded losses.

5N Plus (TSX: VNP), a nanotech company, so far was the best IPO performer, having gained 165% in stock price since its listing in December 20, 2007.

Venture-backed Mecachrome International (TSX: MCH) raised the largest amount in October 2007. Its stock price has since declined 13% from the IPO price.

Cambridge, Massachusetts and St. Laurent, Quebec based Targanta Therapeutics (Nasdaq: TARG) went public in October 2007. Its IPO was the third largest, raising US \$57.5 million. By year-end, its stock traded 10% below its IPO price.

Among the 12 venture-backed IPOs, 2 recorded positive price gains while 10 traded below their IPO prices.