

# The Canadian IPO Market

Decade in Review

2000-2009



PricewaterhouseCoopers (PwC) is pleased to present *The Canadian IPO Market – Decade in Review*, a look back at the Canadian IPO market for the first 10 years of this century.

Since 1998, PwC has conducted detailed surveys on all IPOs completed on Canada's principal stock exchanges. The surveys track IPOs on the TSX, TSX Venture, CNSX (formerly CNQ) and AIM.<sup>1</sup> IPO activity is analyzed in seven market sectors: Consumer & Industrial Products, Energy & Utilities, Financial Services, Mining, Real Estate, Technology & Communications, and Other (transportation, logistics and services). Investment vehicles such as structured products—created to acquire a portfolio of traded shares, bonds or other financial instruments—are not included because they do not represent new equity raised for operating companies.

Our goal in publishing our surveys and this summary of the decade is to provide the business community, investors, the public and others who follow the markets with data that help put the ebb and flow of the markets into perspective. Understanding the IPO market can often provide context for many of the broader trends that shape Canada's economy.

We hope you will find this report a useful research tool. If you have any comments or questions, please contact our IPO Services Leader Neil Manji, 905 949 7378, [neil.manji@ca.pwc.com](mailto:neil.manji@ca.pwc.com)

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<sup>1</sup> AIM is the London Stock Exchange's international market for smaller growing companies.  
CNSX is an innovative new stock exchange for trading securities of emerging companies.

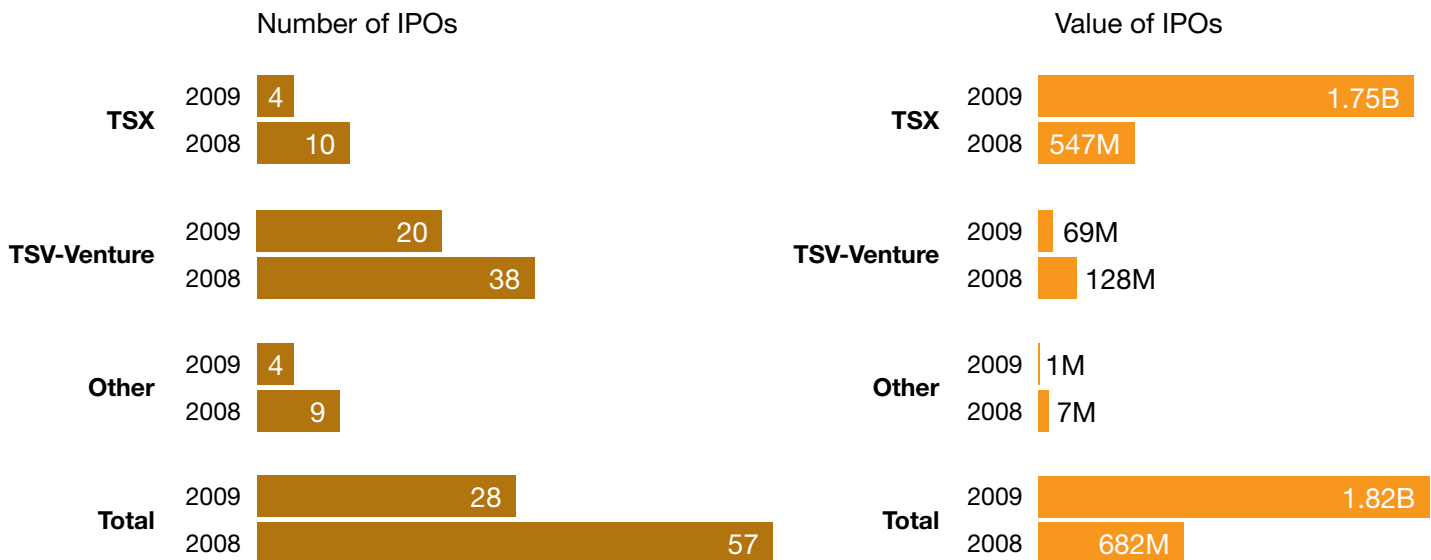
# A Deeper Dive into 2009

Our analysis shows that 2009 was again a difficult year for IPOs in Canada. The total dollar value of IPOs in 2009 reached \$1.82 billion up from the decade low of \$0.7 billion in 2008. IPO activity however, was somewhat concentrated in 2009, with 4 IPOs accounting for \$1.75 billion or 96% of total IPO activity.

Looking forward, we are optimistic of a rebound in IPO activity in Canada. In 2009 we saw a return to more sizeable offerings on the TSX (the average offering was \$437M in 2009 vs. \$55M in 2008)—which indicates that there is an increased appetite for new and larger equity issues from investors. Investor confidence is also slowly improving—a more stable market, a recovering economy combined with improved liquidity and rising valuations are all the necessary seeds to allow the Canadian IPO market to grow again.

With these fundamentals falling into place, we believe an annual IPO market of \$4 billion is not out of the question and not far away.

The largest IPO in Canada in 2009 was the Genworth MI Canada Inc. IPO—an \$850M offering in the financial services sector. This IPO is followed in size by the IPO of Capital Power Corporation (\$500M) in the utilities sector and Dollarama (\$300M) in the retail sector. In the difficult IPO market of 2009 no one sector showed any particular strength.



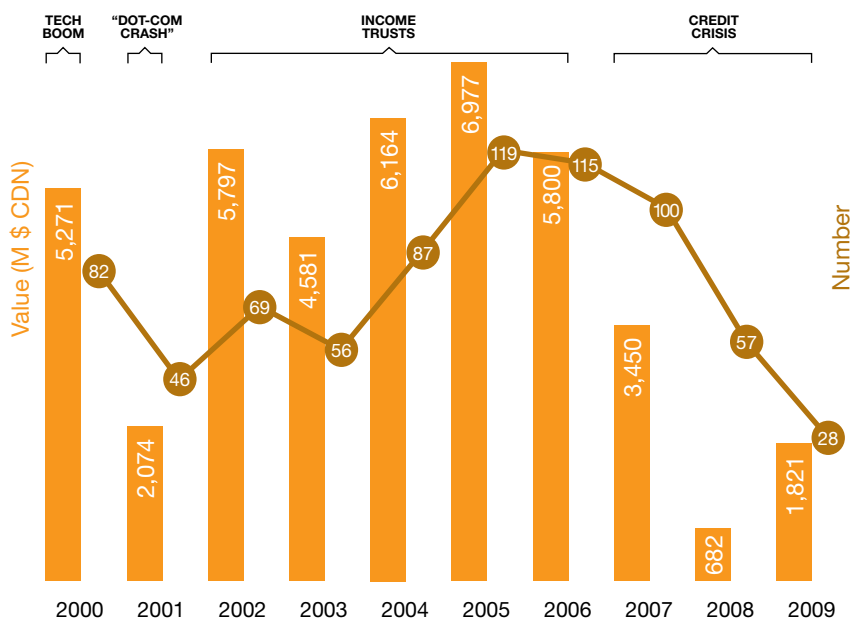


# 2000-2009: A recap

## A roller coaster ride.

That's what describes the IPO market over the past decade. The millennium began with a frenzy and a new term for investors: "dot.com." The boom in the market for technology stocks in early 2000 ended before the year was over with the dot.com crash. But another boom was around the corner, and within five years there was a return to a record-breaking IPO market fueled by income trusts. Once again, boom turned to bust. On October 31, 2006, the federal government announced that income trusts would lose their tax free status, and the IPO market plunged. This time, there was no quick recovery. The market in Canada was still reeling from the loss of income trusts when the global credit crisis began in 2007. Of course, the volatile stock market weighed heavily on the IPO market for the remainder of the decade.

Despite these setbacks, the decade ended on a hopeful note. Modest gains in IPOs by the end of 2009 suggested that the economy is improving and that stability is returning to the market. Investor confidence and an increased appetite for new equity issues cause us to be optimistic for a rebound in IPO activity in Canada.



# Year-by-year activity

In the period 2000-2009, IPO activity generated 759 new issues worth \$42.6 billion. The IPO market peaked in 2005 with a decade high just under \$7 billion for the year—fueled by the popularity of income trusts—and reached a decade low of \$0.7 billion as the Canadian economy and stock markets came to grips with the impact of the global credit crisis.

Canadian markets reached historical highs during the past decade with several offerings close to or over \$1 billion.

## The top five IPOs in the decade were:

- SunLife – 2000  
\$1.8 billion
- Franco-Nevada – 2007  
\$1.1 billion
- Yellow Pages Income Fund – 2003  
\$935 million
- 360 Networks – 2000  
\$935 million
- ING Canada Inc. (Intact Financial Corporation) – 2004  
\$907 million

## Decade in review

### 2000 – \$5.3 billion 82 IPOs

The decade started with a buoyant IPO market. The most active sector was technology, which contributed to just under \$3 billion in new equity or 57% of the year's IPO activity. However, the sector that represented the most dollar value of IPOs was Financial Services. The year saw the largest IPO of the decade with the SunLife Insurance offering of \$1.8 billion. The year came to a bitter close with the dot.com crash in the last quarter, setting the stage for a very difficult year for IPOs in 2001.

### 2001 – \$2.1 billion 46 IPOs

IPO activity in 2001 fell as the economy struggled with the aftermath of the dot.com crash and the aftershock of the 9/11 terrorist attacks. It was the lowest year for IPOs in more than a decade. The largest IPO in 2001 was Shoppers Drug Mart for \$540 million.

### 2002 – \$5.8 billion 69 IPOs

The IPO market rebounded, fueled by the income trust model that allowed many companies to obtain better valuations, and provided investors with both yield and capital gains. Income trusts came out across many different industries—from restaurants to fish processing. More than 86% of the market value of Canadian IPOs came from income trusts in 2002. The largest IPO was SFK Pulp Income Fund at \$415 million.

### 2003 – \$4.6 billion 56 IPOs

The market was more balanced in 2003 with activity split between the new income trust model and traditional IPOs. Although still popular, income trusts declined in 2003 from the previous year in both number and value. Traditional offerings played a larger role in the opportunities brought to investors. Technology IPOs, which had not been seen with any scale since 2000, also returned. The largest IPO was the Yellow Pages Income Fund worth \$935 million.

# Decade in Review

## **2004 – \$6.2 billion 87 IPOs**

The IPO market continued to build on the success of income trusts and a wide range of offerings. The Mining sector accounted for the greatest number of IPOs, with 26 IPOs. This activity was due in large part to strong demand for commodities from China and other parts of Asia. That said, the largest IPO came from the Financial Services sector—ING Canada Inc. (now known as Intact Financial Corporation) for \$907 million.

## **2005 – \$7.0 billion 119 IPOs**

IPO activity peaked in 2005. The market had depth and breadth, with growth in both traditional equities and income trusts offerings; however, income trusts dominated, accounting for almost \$5 billion or 72% of the dollars raised. The number of IPOs in 2005 hit a decade high with 119 new issues. The largest IPO for the year was CanWest Media Works at \$550 million.

## **2006 – \$5.8 billion 115 IPOs**

Although the market was very good in 2006, the boom came to a halt in the last quarter following the federal government's October announcement of a new policy on the taxation of income trusts. Income trusts had been growing in popularity over the previous three years and had become the driving force in the IPO market, representing approximately 60% of all new issues. The largest 2006 IPO was Teranet Income Fund valued at \$700 million.

## **2007 – \$3.5 billion 100 IPOs**

Throughout 2007, the IPO market struggled as investors and companies wrestled with the implications of the government's income trust announcement. IPOs virtually trickled onto the market and had it not been for the Franco Nevada offering for \$1.1 billion in the fourth quarter (the largest IPO in the year), the IPO market would have fallen close to the record lows of 2001. The TSX was also volatile in 2007—the first tremors of what would be the seismic shock of the coming credit crisis.

## **2008 – \$682 million 57 IPOs**

The liquidity crisis, volatile markets and the resulting economic turmoil all conspired to constrain the IPO market in 2008. The total value of all new issues hit a decade low. There were no IPOs at all on Canada's senior equity exchange in the last six months of the year. The largest IPO for the year was Sprott Securities at \$200 million.

## **2009 – \$1.8 billion 28 IPOs**

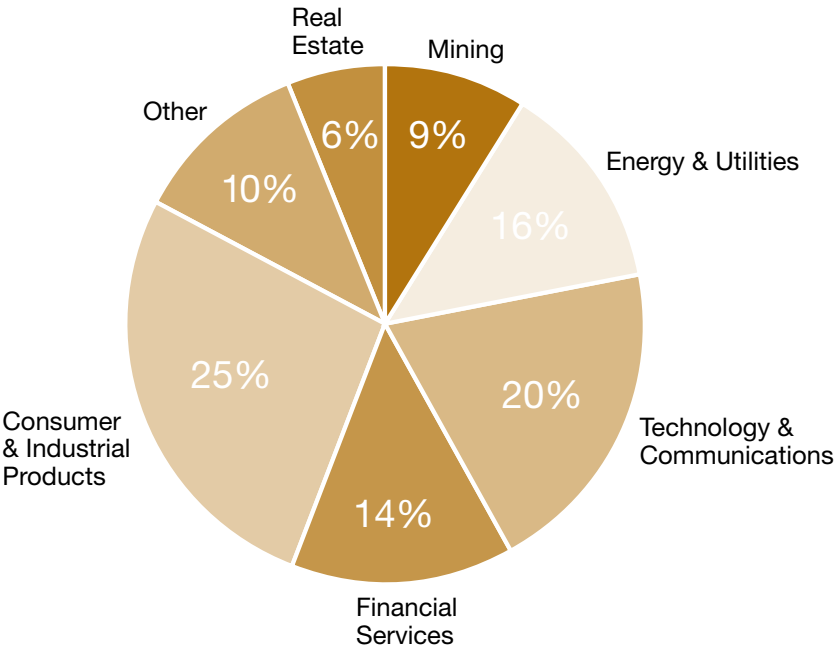
While the market began a slow recovery, the number of IPOs reached a decade low. However, the size of offerings was significantly larger than in previous years, suggesting an increase in investor appetite and confidence—key ingredients for future IPO markets. Genworth MI Canada Inc. in the Financial Services sector was the largest IPO for the year at \$850 million. This was closely followed by Capital Power Corporation in the Energy & Utilities sector, worth \$500 million, and Dollarama in the Consumer & Industrial Products sector at \$300 million.

# Sector analysis



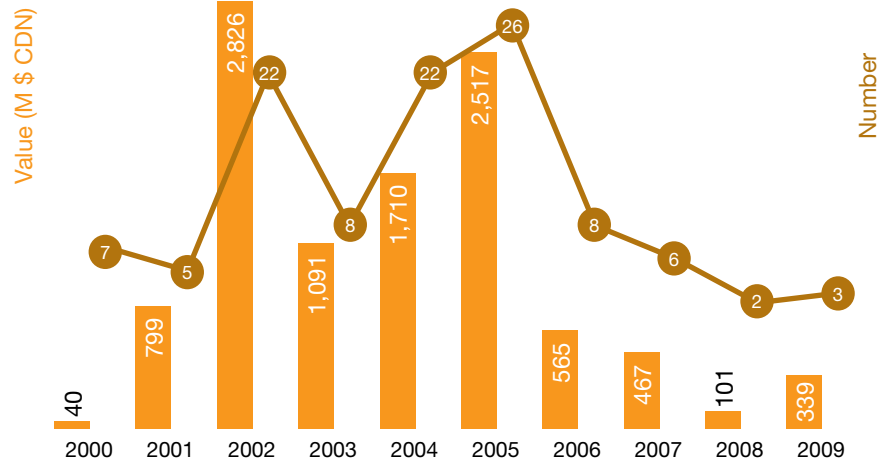
The Consumer & Industrial Products sector led all categories in the amount of new equity raised in the 10-year period 2000-2009. The sector represents a diverse list of companies and industries, and generated a great deal of the income trust activity during the middle portion of the decade.

The following chart summarizes IPO sector activity over the last decade



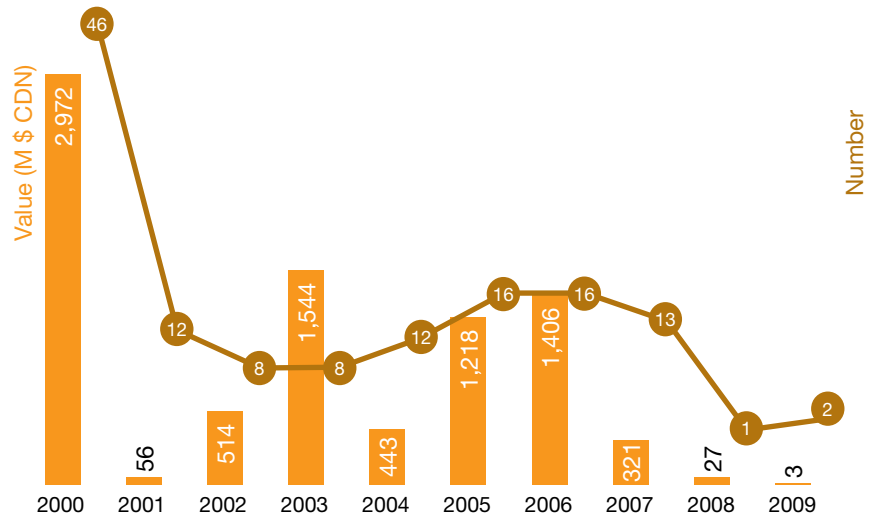
## Consumer & Industrial Products<sup>1</sup> \$10.5 billion

A wide range of companies went public throughout the decade for a total of 109 IPOs in the sector. The average offering was just under \$100 million. This sector benefited from the income trust model, as seen in 2002 and 2005 when income trusts were at their peak. The largest IPO in the sector was Shoppers Drug Mart in 2001 at \$540 million.



## Technology & Communications<sup>2</sup> \$8.5 billion

A mirror of the technology boom and dot.com crash, almost 42% of the activity in this sector occurred at the start of the decade. There were a total of 134 new issues worth an average of \$64 million. The largest IPO was the Yellow Pages Income Fund in 2003 at \$935 million.



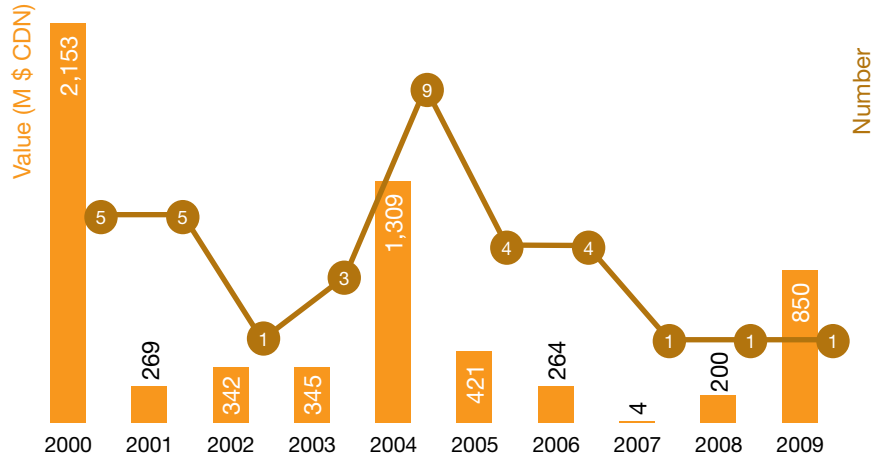
<sup>1</sup> Consumer & Industrial Products includes: Automotive, Industrial Products and Retail.

<sup>2</sup> Technology & Communications includes: Life Sciences and Pharma.

# Decade in Review

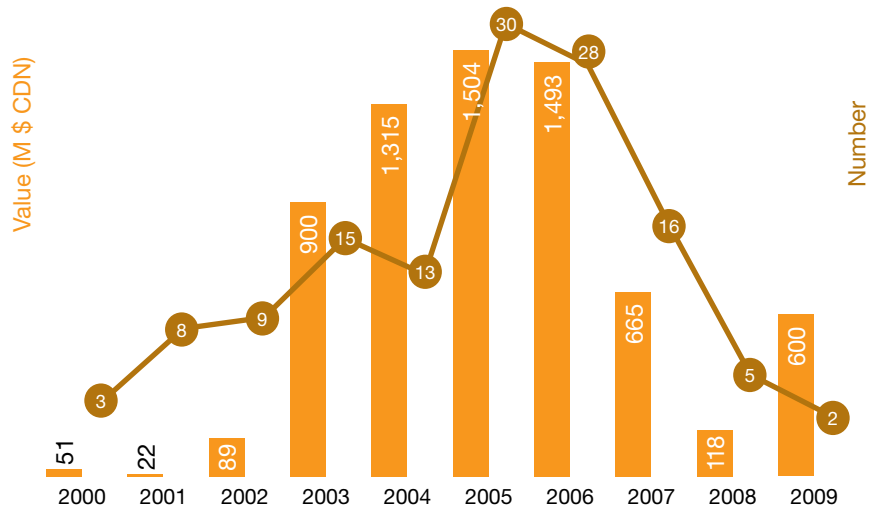
## Financial Services \$6.2 billion

This sector had only 34 IPOs during the decade, but they accounted for 15% of the value of all new issues. The sector had some of the largest offerings over the 10-year period. The top three were Sun Life Financial Services in 2000 at \$1.8 billion, ING Canada (Intact) in 2004 at \$907 million and Genworth MI Canada in 2009 at \$850 million. The average offering size was \$181 million.



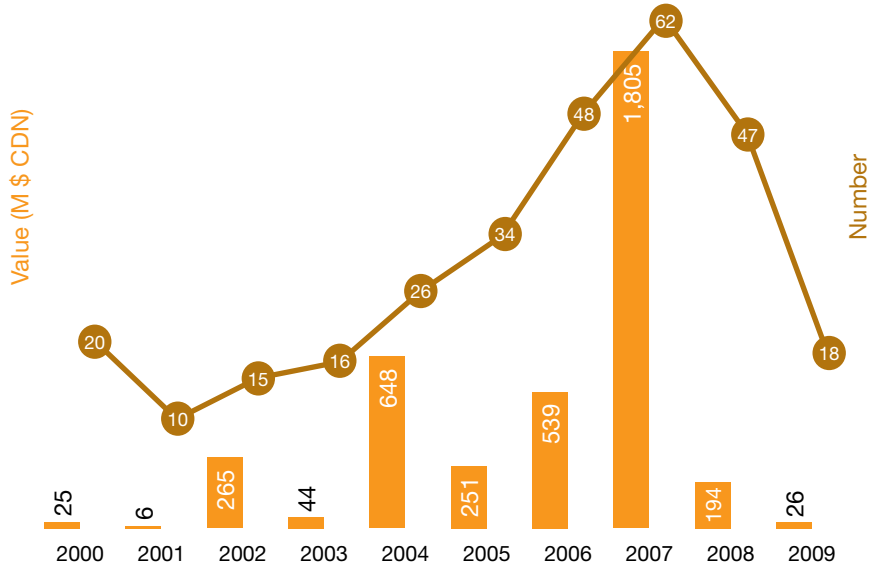
## Energy & Utilities \$6.8 billion

There were 129 Energy & Utilities offerings in the period with an average size of \$53 million. During the last three years, Energy & Utilities issues represented 23% of the IPO market, which could be a signal for future activity in this sector. The largest IPO was Capital Power Corporation in 2009 for \$500 million.



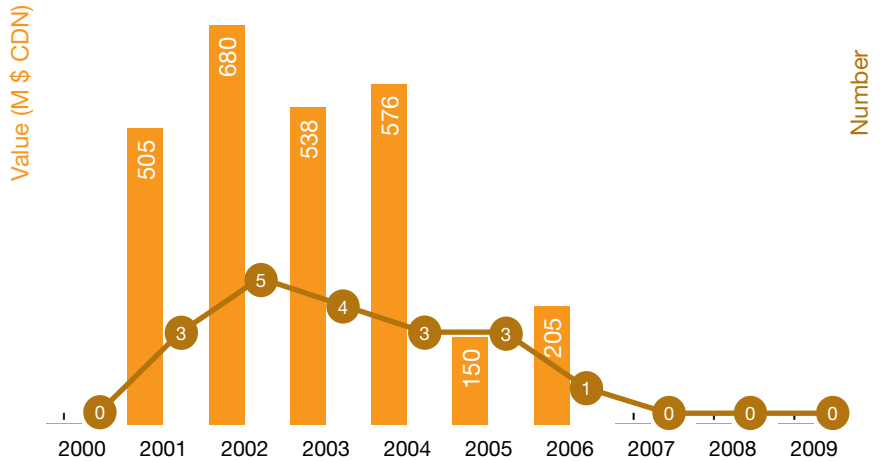
**Mining**  
**\$3.8 billion**

There were 296 Mining issues during the past 10 years, eclipsing all other sectors in number of IPOs. However, the average size was relatively small at \$13 million. This is reflective of the typical profile of a Mining offering—a junior mining company going public on the TSX Venture Exchange. Over 74% of the value of Mining IPOs occurred in the second half of the decade. This strength could continue with Canada’s prominence in resources and the predicted increase in commodity prices. The largest IPO was Franco Nevada Corporation in 2007 at \$1 billion.



**Real Estate**  
**\$2.6 billion**

There were 19 issues over the period, and the average size was \$139 million. Most activity occurred in the first part of the decade with a number of REIT offerings. The largest IPO in this sector was InnVest Real Estate Investment Trust in 2002 at \$300 million.



# Decade in Review

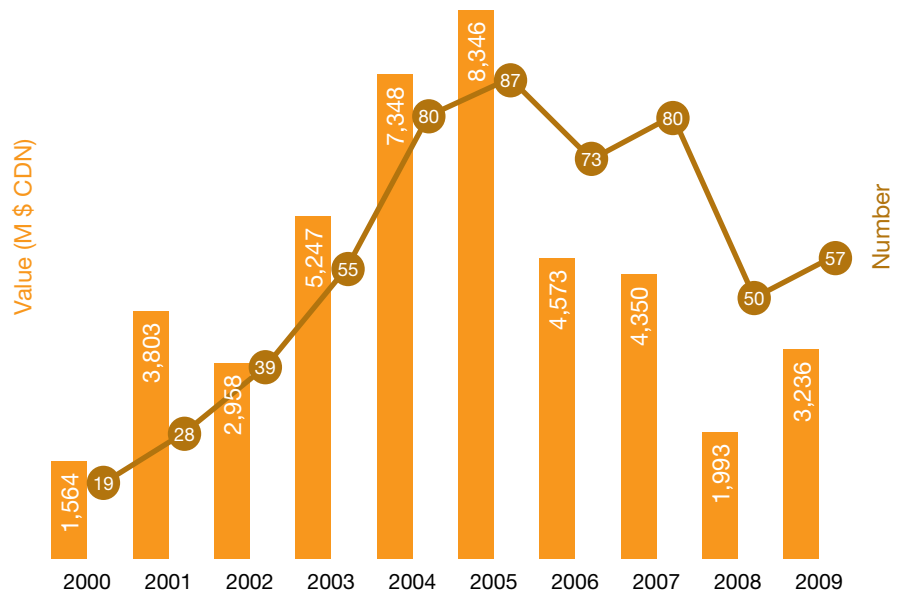
## Other<sup>1</sup> \$4.2 billion

This category includes industries such as transportation, logistics and the services industry. Together they represented 38 new issues with an average size of \$113 million. There were also a number of income trusts among these varied industries. The largest IPO was the re-emergence of Air Canada in 2006 at \$525 million.



## A note about structured products

Although structured products are not tracked as part of the ongoing PwC IPOs surveys, they have a significant role in the market. Structured products are usually investment vehicles or exchange traded funds (ETFs), and they have grown in the past 10 years as investors looked for instruments to meet their varying investment objectives. There were a total of 568 structured products in the decade valued at \$43.4 billion with an average size of \$76 million. The largest offering was ProAms Trust in 2001 at \$1.1 billion.



<sup>1</sup> Other category includes: Forestry, transportation and services.

# Thinking of going public? ... We should talk.

The PwC IPO Services group has the resources and expertise to guide companies through the complexities of an IPO from beginning to end. We offer industry focused assurance, advisory and tax services in a wide range of areas, including consumer and industrial products, energy and mining, financial services, forestry, real estate, and technology and media.

PwC can provide the strategic insight, industry knowledge and financial expertise needed to successfully complete the IPO process. Our years of experience and our leading network of contacts enable us to secure the services of the foremost legal, underwriting and IPO related specialists. By leveraging our global resources, we are invaluable in obtaining cross border listings on exchanges, both in North America and around the world.

Please feel free to contact your local PwC representative for more information or to talk about the IPO process.

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