
Red light *Green light*

Canada's IPO Market
2010–2014





Stop...Go...Stop...Go...

The Canadian market for initial public offerings in Canada during the past five years has been a story of contrasts: at times encouraging, then disappointing, both optimistic and uncertain. Despite periods of feverish activity, the market was unable to sustain meaningful momentum.

What drove activity? Where was the action? When was the market buoyant? When did it falter?

PwC is pleased to present an in-depth look at the IPO market in Canada during the five-year period from 2010 through 2014. This report is based on data compiled for our quarterly surveys of the IPO market in which we track activity on the TSX, TSX Venture, CNSX and AIM. Investment vehicles such as structured products are not tracked because they do not represent new equity raised for operating companies.



Five years in review

Historians and politicians looking for evidence of the integration of Canada into a globalized economy need look no further than the Canadian market for initial public offerings in the period 2010–2014. More than any time in recent memory, world events during the period dictated the path of new public offerings and, indeed, much of the Canadian equity market. And those world events, from the European debt crisis, to political upheaval and regional conflict, to the rise of China and its role in the commodities supercycle, to persistent low interest rates, all played major roles in how, when and where companies raised new equity capital.

Arguably Canada was even more impacted by world events than the U.S., where the economy (and the IPO market) uncoupled from the rest of the global economy by the end of the period and set a course for growth based on the strength of the domestic market. But every time there was international news, it seemed, the Canadian IPO market paused and any hard-won momentum was lost. The result is a jagged, quarter-to-quarter trend line that stops and starts.

In 2010, the Canadian IPO market was still recovering from the combined impact of the 2006 federal government decision that ended the run of income trusts and the financial crisis of 2008–2009. That the IPO market recovered from a slow start to post the largest total proceeds of the 2010–2014 period is notable. Mining, a traditional stalwart of the Canadian market, and energy (oil and gas) figured prominently in the year's results. But the role of real estate was also significant, particularly real estate investment trusts that addressed the growing investor demand for stable yield in a low interest rate environment.

The European debt crisis all but derailed the market in 2011. The story of the year read like the script for a disaster movie starring the evolving European crisis with the Japanese tsunami, crises in Egypt and Libya, and deadlock in the U.S. congress playing supporting roles. The first whisper of a slowdown in China brought focus to the commodities sector — attention that would turn negative by the end of the period.

The market fell again in 2012 to a five-year low of \$1.8 billion, saved from a complete rout by a last quarter surge. Again, external forces in the U.S. and Europe played key roles in the on-again/off-again market. A rebound in 2013, led by a buoyant market for real estate investment trusts, didn't take flight until the third quarter. The recovery didn't extend to the mining sector, which fell to an all-time low level of activity that would persist through 2014.

Real estate's star turn was brief as fears of interest rate hikes pushed the sector into the background in the final year of the survey, when energy became the new driver with oil and gas issues helping to push 2014 to a total of \$3.5 billion in new equity. Again, the first quarter of the year was almost entirely without significant market activity before the pace of new issues accelerated. By the end of the year, as oil prices spiralled downwards, the IPO market experienced another pause.

With all of the volatility in the IPO market, it would be easy to overlook the Canadian market's strengths. While there were periods of limited activity, there were also extremely active periods when the market welcomed well-priced issues from companies with demonstrated track records. Investors' hunger for reliable yield has not abated and should continue to be a factor in the future. The diversity of sectors with new issues during the period is also testament to the market's underlying strength.

Among the other notable trends in the 2010–2014 period, the steep decline in mining sector IPO activity stands out for special mention. Mining has long been a pillar of Canadian equity exchanges, and the almost complete disappearance of junior mining activity in the last half of the survey period is significant.

Year-by-year

In the period 2010–2014, there were 243 IPOs on all Canadian exchanges with a value of \$15.5 billion. This compares to 419 IPOs with a total value of \$18.8 billion in 2005–2009 (in which the market saw both a decade high in 2005 and low in 2008).

There were two IPOs worth over \$1 billion in the past five years: Athabasca Oil Sands Corp. at \$1.4 billion (2010) and PrairieSky Royalty Ltd. worth \$1.5 billion (2014).

The top five IPOs in the period were:

PrairieSky Royalty Ltd.
– 2014

\$1.5
billion

Athabasca Oil Sands
Corp. – 2010

\$1.4
billion

Seven Generations
Energy Ltd. – 2014

\$810
million

MEG Energy Corp. –
2010

\$700
million

SMART Technologies
Inc. – 2010

\$660
million

2010 \$5.5 billion 73 IPOs

After a long climb back from the economic collapse of 2008, the Canadian market topped \$5 billion for the first time since 2006. The value of IPOs in the first quarter of the year exceeded all of 2009. The recovery took flight in the second quarter and continued throughout the year, but not without volatility. Shifting valuations resulted in certain IPOs being shelved or repriced. Mining and the energy sector drove activity.

2010 Quarterly Performance

Q1	Q2	Q3	Q4
16	16	10	31
\$465 million	\$2.4 billion	\$1.4 billion	\$1.2 billion

Top 3 IPOs

Athabasca Oil
Sands Corp.

\$1.4
billion

MEG
Energy

\$700
million

SMART
Technologies
Inc.

\$660
million

2011 \$2.0 billion 64 IPOs

Market recovery paused in the first quarter of the year, due in part to volatility and the robust number of IPOs that were issued at the end of the previous year. Activity picked up in the second quarter, but unprecedented volatility continued in the third quarter. The market nearly ground to a halt in the fourth quarter, which resulted in the third-lowest total value since 2001. The European debt crisis weighed heavily on the final quarter. It was one of a catalogue of calamities that created an overall difficult market for IPOs in 2011.

2011 Quarterly Performance

Q1	Q2	Q3	Q4
13	21	20	10
\$199 million	\$1.2 billion	\$537 million	\$52 million

Top 3 IPOs

Gibson
Energy Inc.

\$500
million

Parallel
Energy Trust

\$342
million

Dundee
International
Real Estate
Investment Trust

\$270
million

2012 \$1.8 billion 62 IPOs

In a reversal of 2011, a surge of new equity issues in the fourth quarter of 2012 helped turn around the year from a disappointing start to a reasonable outcome in 12 months. The year began with no issues on the TSX in the first quarter, an extension of the low level of activity in the final quarter of 2011. The second quarter remained stalled, and the third quarter was also sleepy. The fourth quarter was notable not only for the size of total proceeds but the diversity of new issues. Mining, consumer products, retail, energy, and real estate all shared the spotlight in the last quarter.

2012 Quarterly Performance

Q1	Q2	Q3	Q4
13	19	7	23
\$21 million	\$200 million	\$271 million	\$1.3 billion

Top 3 IPOs

Hudson's Bay
Company

\$365
million

Ivanplats
Limited

\$301
million

Argent
Energy Trust

\$212
million



2013 \$2.7 billion 30 IPOs

For the first time in a decade, Canada's normally bustling mining sector couldn't muster a single IPO on either the TSX or TSX Venture exchange in the first quarter of 2013. Real estate was the most active sector throughout the year. It was bolstered by energy, manufacturing, and technology in the last two quarters so that the market achieved a solid year without the support of the mining sector.

2013 Quarterly Performance

Q1	Q2	Q3	Q4
4	13	7	6
\$422 million	\$870 million	\$802 million	\$583 million

Top 3 IPOs

Choice Properties Real Estate Investment Trust CT Real Estate Investment Trust BRP Inc.

\$400 million

\$264 million

\$262 million

2014 \$3.5 billion 14 IPOs

A dismal first quarter in 2014, with the collapse of new mining issues and an absence of activity on the TSX, resulted in the worst quarterly result in a decade. The market picked up in the next two quarters, however, with solid activity. Energy took over from real estate as the new market driver. Overall, 2014 was turbulent. The higher volume of IPOs in previous years was swapped for fewer, but larger, issues.

2014 Quarterly Performance*

Q1	Q2	Q3	Q4
1	7	4	2
\$2 million	\$2.1 billion	\$531 million	\$811 million

* Numbers are rounded to the nearest million, so total appears less than the posted 2014 year-end value of \$3.5 billion.

Top 3 IPOs

PrairieSky Royalty Ltd. Seven Generations Energy Ltd. Northern Blizzard Resources Inc.

\$1.5 billion

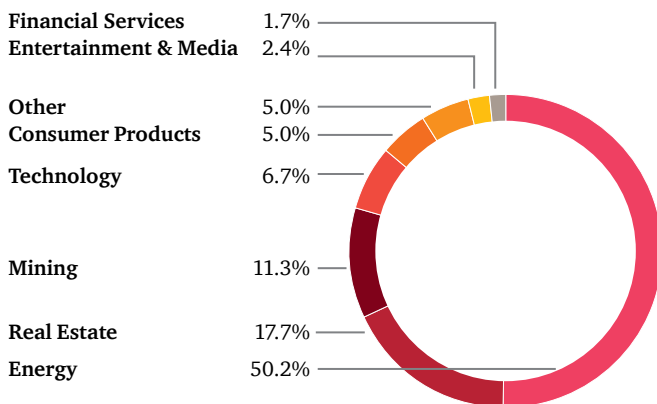
\$810 million

\$500 million

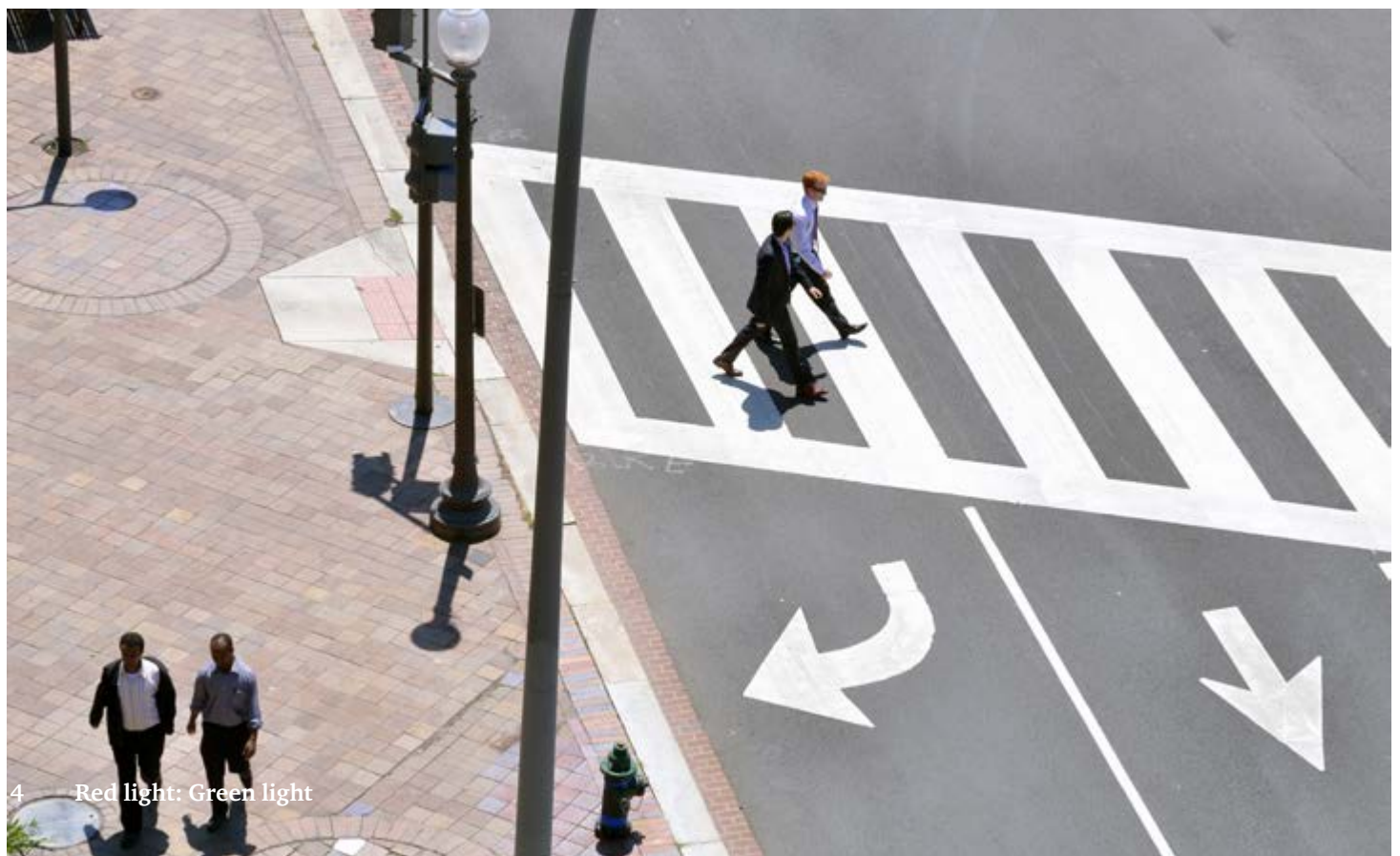
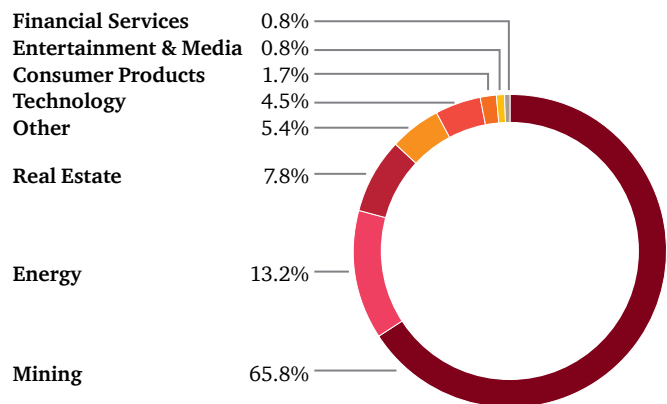
Sector analysis

The energy sector drove the IPO market from 2010–2014 with 32 IPOs valued at \$7.8 billion. Four of the five top IPOs during the period were in the energy sector, with two worth over \$1 billion (the fifth largest IPO was in the technology sector). While the mining sector had the greatest number of offerings — at 160 — their total value was \$1.8 billion. The sector with the lowest number and value of IPOs was financial services. It tied with entertainment and media at two offerings in the past five years, but the value in financial services was \$263 million (vs \$375 million in entertainment and media).

Gross value of IPOs by sector from 2010–2014



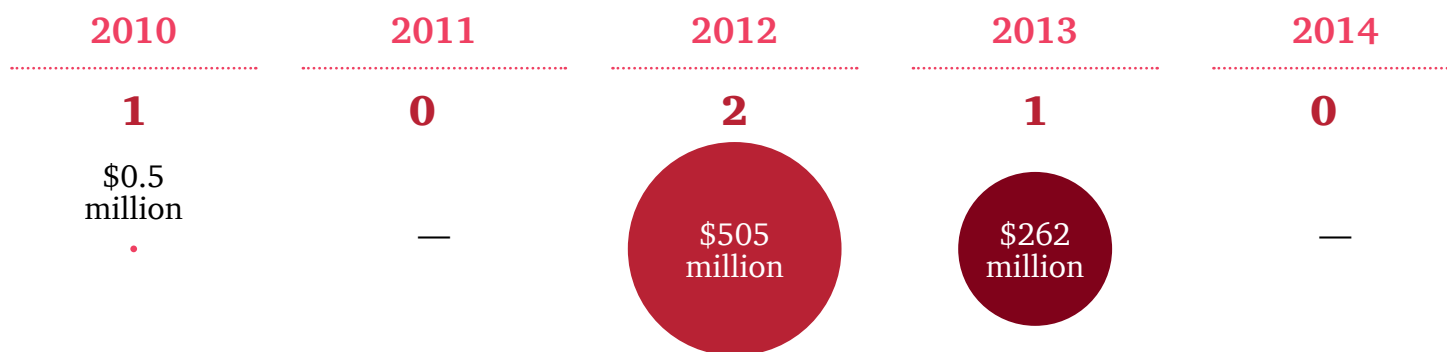
Number of IPOs by sector from 2010–2014



Year-by-year

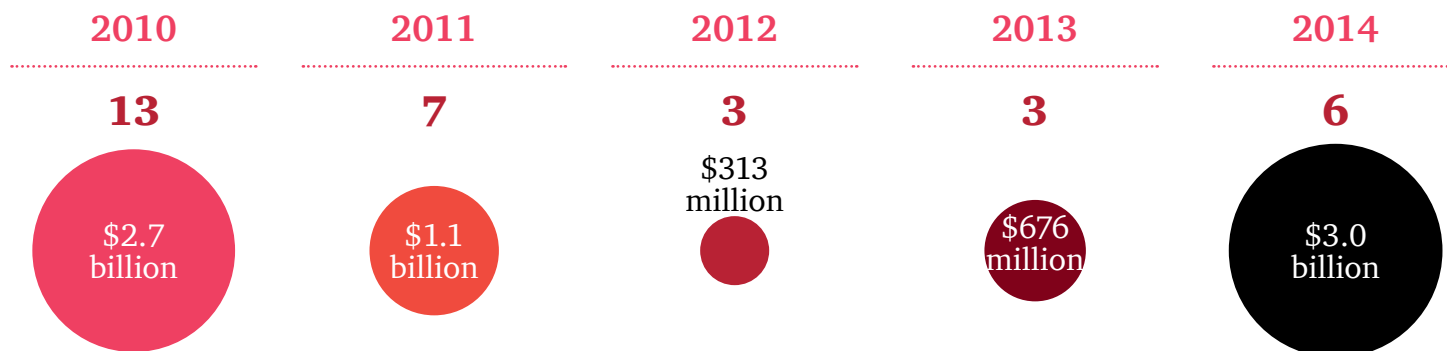
Consumer products

NUMBER + VALUE	LARGEST OFFERING	AVERAGE SIZE OF IPOs	BEST YEAR	WORST YEAR
Sixth most active sector with 4 IPOs Fifth most valuable sector worth \$768 million	Hudson's Bay Company in 2012 worth \$365 million	\$192 million	2012	2011, 2014 (no IPOs)



Energy

NUMBER + VALUE	LARGEST OFFERING	AVERAGE SIZE OF IPOs	BEST YEAR	WORST YEAR
Second most active sector with 32 IPOs Most valuable sector worth \$7.8 billion	PrairieSky Royalty Inc. in 2014 worth \$1.5 billion	\$243 million	2014	2012



Entertainment & Media

NUMBER + VALUE	LARGEST OFFERING	AVERAGE SIZE OF IPOs	BEST YEAR	WORST YEAR
Seventh most active sector with 2 IPOs, tied with Financial Services Seventh most valuable sector worth \$375 million	Whistler Blackcomb Holdings Inc. in 2010 worth \$300 million	\$188 million	2010	2012, 2013, 2014 (no IPOs)

2010

1



2011

1



2012

0

—

2013

0

—

2014

0

—

Financial Services

NUMBER + VALUE	LARGEST OFFERING	AVERAGE SIZE OF IPOs	BEST YEAR	WORST YEAR
Seventh most active sector with 2 IPOs, tied with Entertainment & Media Eighth most valuable sector worth \$263 million	Callidus Capital Corporation in 2014 worth \$252 million	\$131 million	2014	2010, 2011, 2012 (no IPOs)

2010

0

—

2011

0

—

2012

0

—

2013

1

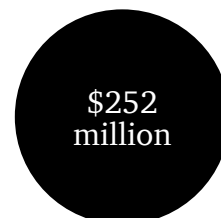
\$11 million



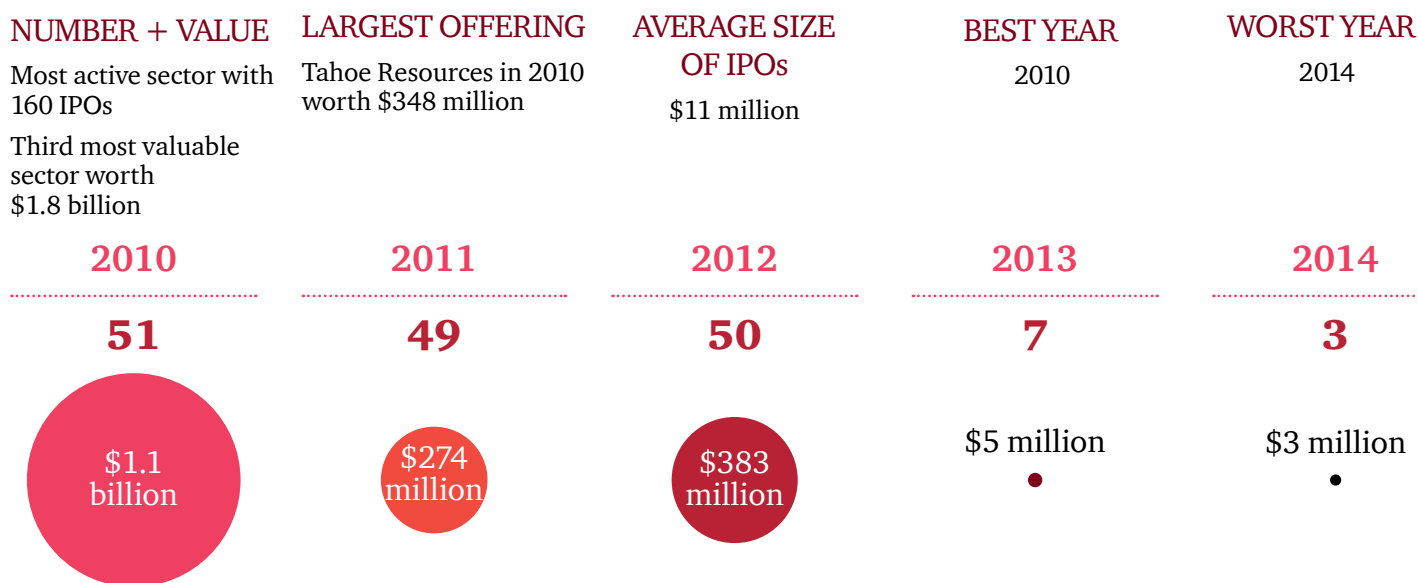
2014

1

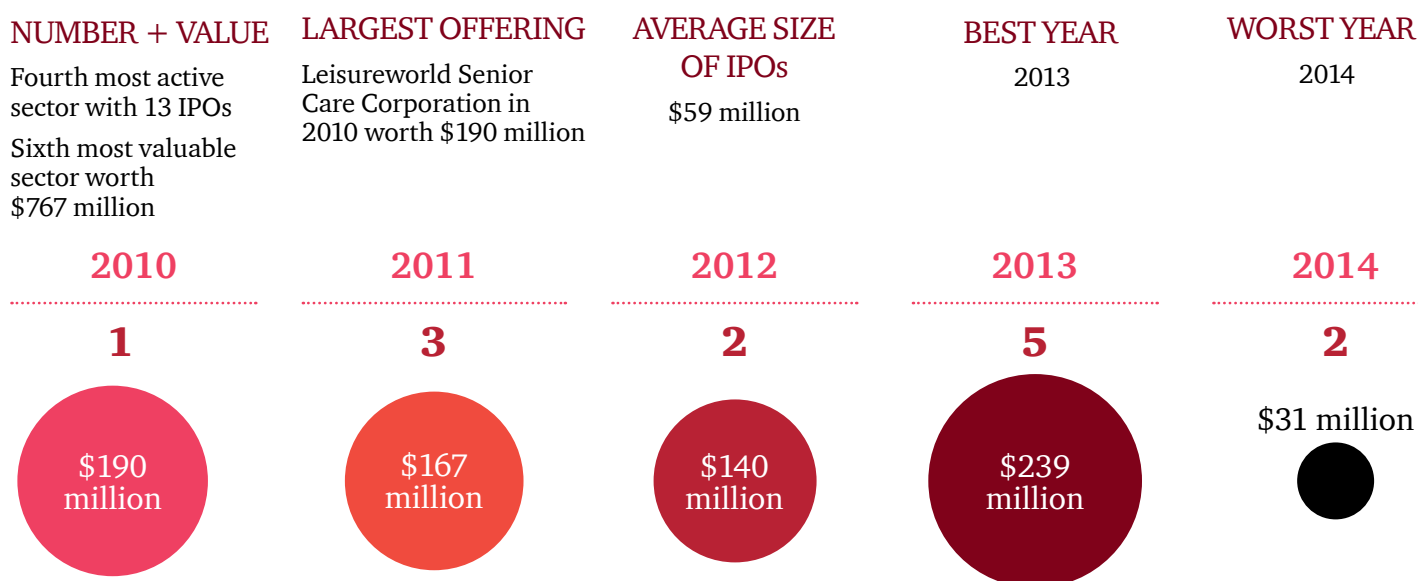
\$252 million



Mining



Other



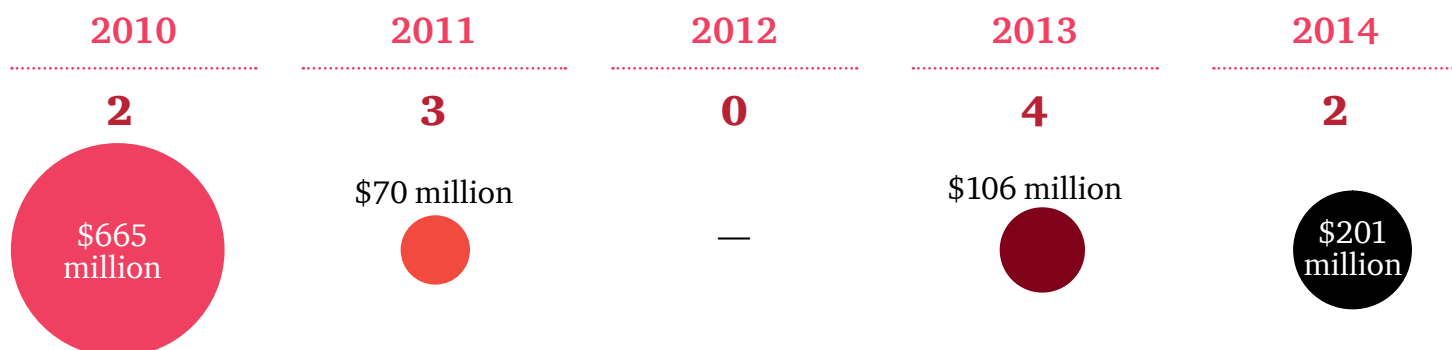
Real Estate

NUMBER + VALUE	LARGEST OFFERING	AVERAGE SIZE OF IPOs	BEST YEAR	WORST YEAR
Third most active sector with 19 IPOs Second most valuable sector worth \$2.8 billion	Choice Properties Real Estate Investment Trust in 2013 worth \$400 million	\$145 million	2013	2014 (no IPOs)



Technology

NUMBER + VALUE	LARGEST OFFERING	AVERAGE SIZE OF IPOs	BEST YEAR	WORST YEAR
Fifth most active sector with 11 IPOs Fourth most valuable sector worth \$1.0 billion	SMART Technologies Inc. in 2010 worth \$660 million	\$95 million	2010	2012 (no IPOs)



Going public? PwC can help.

“ If companies interested in ‘going public’ take a single lesson from the five-year period 2010-2014, it’s the need to be ready to move when one of the frequent windows of opportunity open in the market. In a period when volatility became the norm, enterprises that were well prepared for the launch of an IPO were able to successfully bring a new issue into a receptive market at respectable valuations.

“ It’s true that the market volatility we saw during the survey period can be unsettling, but it’s also true that periods of market stability are times when investors return to the market in search of new, high-quality investment opportunities. Those periods of stability may only last for a few quarters but they are concentrated periods of activity when investors are looking intently at new listings.

“ Bottom line: Volatility doesn’t change the IPO market, it concentrates it. That demands that companies have all of their preparations completed and their plans in place, ready to execute. Companies that can do that are rewarded for their efforts.”

— Dean Braunsteiner, IPO Services Leader

PwC has conducted detailed IPO surveys for more than 15 years to provide statistical information to the business community, investors, the public and others following the markets in Canada. Our objective is to offer information that not only tracks market activity but also helps place the ebb and flow of the markets into better context.

We hope this five-year review is a useful research tool.

The PwC IPO Services group can 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 industries including consumer and industrial products, energy and mining, entertainment and media, financial services, real estate, and technology.

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 foremost legal, underwriting and IPO-related specialists. By leveraging our global resources, we can be invaluable in obtaining cross-border listings on exchanges in North America and around the world.

If you have any comments or questions about this report or how PwC can help your company, please contact:

IPO Services Leader

Dean Braunsteiner
416.869.8713
dean.braunsteiner@ca.pwc.com

Geoff Leverton
416.815.5053
geoff.m.leverton@ca.pwc.com

or your local PwC representative.

Calgary

Scott Althen
403 509 7490
scott.d.althen@ca.pwc.com

Johnson Tai
403 509 7544
johnson.tai@ca.pwc.com

Edmonton

Gord Keiller
780 441 6840
gordon.r.keiller@ca.pwc.com

Halifax

Donald Flinn
902 491 7428
donald.m.flinn@ca.pwc.com

Allan Jenkins
902 491 7429
a.jenkins@ca.pwc.com

London

Chirag Shah
519 640 7914
chirag.p.shah@ca.pwc.com

Montreal

Christophe Gautier
514 205 5279
christophe.gautier@ca.pwc.com

Nicolas Marcoux
514 205 5302
nicolas.marcoux@ca.pwc.com

Saint John

Gord Ashe
506 653 9438
gordon.f.ashe@ca.pwc.com

Toronto

Dean Braunsteiner
IPO Services Leader
416 869 8713
dean.braunsteiner@ca.pwc.com

Geoff Leverton
416 815 5053
geoff.m.leverton@ca.pwc.com

Neil Manji
416 687 8130
neil.manji@ca.pwc.com

Vancouver

Kate Furber
604 806 7827
kate.furber@ca.pwc.com

John Paul Pressey
604 806 7097
john.paul.pressey@ca.pwc.com

Waterloo

Glen Dyrda
519 570 5715
glen.m.dyrda@ca.pwc.com

Winnipeg

Travis Muhr
204 926 2422
travis.r.muhr@ca.pwc.com

Nicky Murray
204 926 2409
nicole.murray@ca.pwc.com

