



FINANCIAL AND  
CONSUMER SERVICES  
COMMISSION

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# New Brunswick Capital Markets Report 2017

FCNB.CA  
85 Charlotte Street, Suite 300 | Saint John, NB E2L 2J2 | 866 933-2222  
225 King Street, Suite 200 | Fredericton, NB E3B 1E1 | 866 933-2222

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### **Acknowledgement :**

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## Executive Summary

The *New Brunswick Capital Markets Report 2017* edition is published by the Financial and Consumer Services Commission (FCNB) as the cornerstone of our capital markets research and ongoing capital market development efforts. In this Report, we analyze data and identify the source of more than one billion dollars' worth of capital raised by New Brunswick companies since 2012.

Analyzing New Brunswick's capital markets helps provide important insights into our entrepreneurial and established businesses eco-systems. The objective of the Report is to capture, on an annual basis, the key data points that best represent the capital raising activity of New Brunswick companies.

This year, two bright spots were noted:

- A growing trend in venture capital (VC) investments moving toward later stage development companies
- The amount of capital raised by New Brunswick's publically listed companies

Venture capital provides a direct link to the strength of our start-up entrepreneurial eco-system and the ongoing development of these companies. New Brunswick companies raised more than \$31 million in 2016, the highest amount raised in the last five years. At the same time, the average size deal rose to one million dollars, nearly tripling the 2012 average size deal. Our analysis indicates this is due to companies at a later stage of their business development cycle being able to attract investment from VC firms. Several of these same companies had received VC investments at earlier stages of their development.

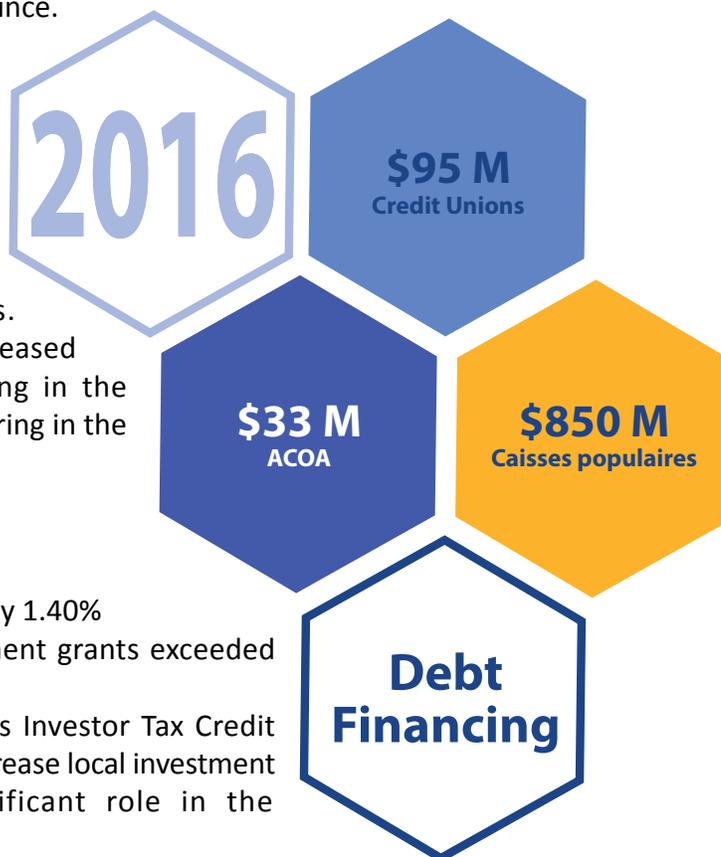


The other bright spot noted in our research is that New Brunswick public companies were more active raising capital in 2016 than in the previous years studied. They collectively raised more than \$102 million. Of that total, more than

\$96 million was raised through Canada’s public stock markets and an additional \$6 million was raised through the exempt markets.

As noted in previous years, the impact of one or two large scale deals can dramatically impact the volume of capital raised in a province with an economy the size of New Brunswick. This is certainly evident when reviewing this year’s exempt markets activity. None of New Brunswick’s largest privately held companies reported raising funds using the exempt markets. The result was a decrease from \$363 million raised in 2015 to just over \$19 million in 2016. While this is a significant decline, it represents only one or two deals in what otherwise would have been an active year for capital raising in the province.

Though not active in raising capital in the exempt markets in 2016, New Brunswick’s largest companies generated significant merger and acquisitions (M&A) activity. Two New Brunswick companies purchased significant international companies. While the number of M&A deals decreased this year, M&A activity remains strong in the province with more than 85 deals occurring in the past five years.



#### Key Report Highlights:

- New Brunswick’s real GDP rose by 1.40%
- Federal and provincial government grants exceeded \$696 million in five years
- New Brunswick’s Small Business Investor Tax Credit (SBITC) program continues to increase local investment
- Debt financing plays a significant role in the economic landscape

FCNB continues to help foster the development of our capital markets by providing educational programs to support capital raising opportunities in: equity crowdfunding, Community Economic Development Corporations (CEDCs), the SBITC program and the proper use of prospectus exempt securities offerings.

# Introduction

In 2005, the Financial and Consumer Services Commission (FCNB), formerly known as the New Brunswick Securities Commission, established its Fullsail initiatives to help foster capital markets in the province. They include programs to educate capital market participants, engage stakeholders and consultants, and conduct research into New Brunswick's capital markets.

## *The purpose of this report is:*

- To provide a platform for stakeholders to engage and discuss further development of New Brunswick's capital markets.
- To analyze the five-year trends, sources, sizes and various capital market tools used by investors and businesses to raise capital.
- To make a comparison of New Brunswick's capital markets with those of other Atlantic Provinces.

## *Scope of the report:*

In this report, we analyze the following New Brunswick markets:

- Venture Capital (VC)
- Merger and Acquisitions (M&A)
- Exempt Markets
- Debt Financing (limited scope)
- Grant Funding (supplementary capital)

To ensure a rich analysis, we included cumulative amounts, five-year averages, comparisons and trends where appropriate.

This report focuses on answering the following questions:

- Which geographic regions provide funding to New Brunswick businesses?
- What types of organizations provide funding?
- What specific industries are attracting investment?
- At what stage of development do these companies receive funding?

Additionally, this report discusses crowdfunding, the CEDC program, tax credits received by individuals and corporations through the SBITC program and raising funds through New Brunswick's public markets.

### ***Methodology:***

The research methods undertaken include the following:

- Reviewing regulatory filings and published documents
- Interviewing stakeholders
- Reviewing data from Thompson Reuters

Please refer to [Appendix F](#) for a comprehensive list of data sources.

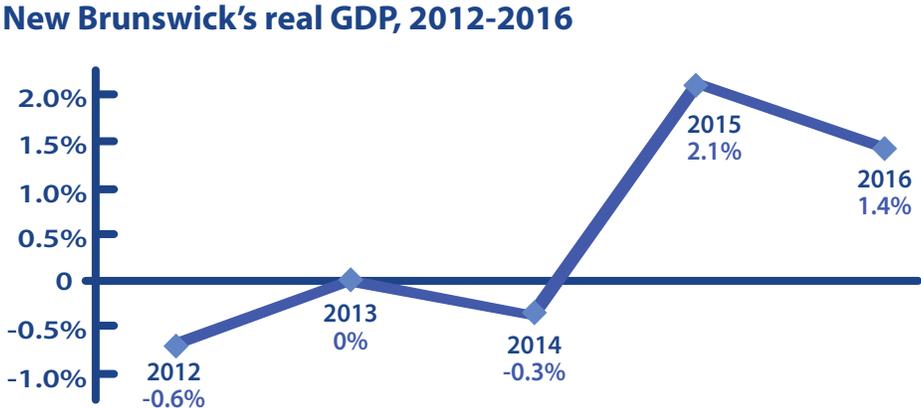
## **New Brunswick's Capital Markets**

New Brunswick's capital markets are influenced by several factors: our gross domestic product (GDP), new options to raise capital and New Brunswickers investing in their own province. Trends in our capital markets are also greatly influenced by the activity of our largest private firms, which is addressed later in the Report.

New Brunswick's capital markets continue to grow despite challenges. We face challenges from an aging population, youth exiting the province for employment opportunities, and the lack of a single economic development driver, such as oil and gas development, which aids the economy of Newfoundland and Labrador. In 2016, New Brunswick's GDP grew by 1.4%. Statistics Canada reports the growth was due to improvement in the following industry sectors: service-producing industries (1.5%), goods-producing industries (1.0%), finance and insurance industries (3.5%), retail trade (2.7%) and the whole sale trade (4.4%).

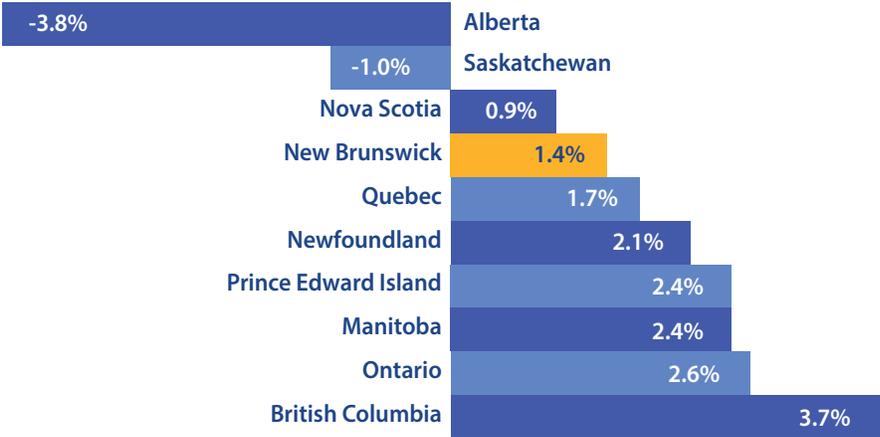
GDP is the broadest measure in monetary terms of a province’s total economic activity. It represents the monetary value of all the goods and services produced within our borders over a specified period of time. It is used to measure the size of and changes in an economy.

The following figure shows New Brunswick’s real GDP over the last five years (2012-2016).



Within the Atlantic Provinces, New Brunswick’s GDP growth rate was the third highest at 1.4%. Prince Edward Island led this year with a strong GDP of 2.4%, followed by Newfoundland and Labrador (2.1%). Nova Scotia’s stood at 0.9%.

**Real Gross Domestic Product (GDP) by province, 2016**



# Are New Brunswickers Investing in New Brunswick?



## New Brunswick Investments

**\$42.28 million**

Total equity investment  
(within NB)

## Who's Investing? \$

**\$35.28 million**

Individual investors

**\$7.00 million**

Venture capital

**\$7.01 million**

Angel investors

## Government Support through Capital Programs



**\$16.81 million**

was provided by Small Business Investor Tax Credit (SBITC)



**190**

approved SBITC applications



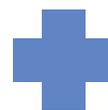
**\$64.71 million**

in provincial grants

## NB Investors Using Exempt Markets by Sector in 2016 (\$M)



**\$0.96**  
Manufacturing



**\$0.64**  
Health Care



**\$2.17**  
ICT



**\$0.24**  
Mining



**\$1.73**  
Real Estate



**\$1.26**  
Other

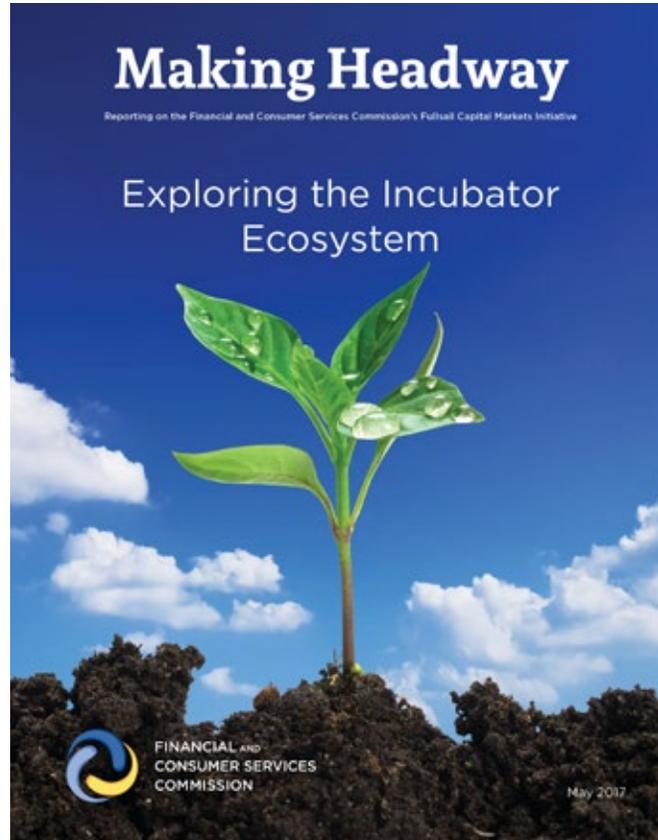
## New Brunswickers Investing in New Brunswick

New Brunswickers continue to support local companies. Our research indicates \$42.28 million was raised through investment by New Brunswick individuals and corporations in 2016. Entrepreneurs and growing companies seeking capital from New Brunswickers can consider the Small Business Investor Tax Credit program (SBITC). A provincial government tax credit for the investor helps “de-risk” the investor’s portfolio, encouraging local investment. FCNB provides educational programming on the SBITC as part of its Fullsail Learning the Ropes (LTR) initiative. FCNB offered 30 LTR events in the past year, reaching 780 people. Webinars on the SBITC can be found at [FCNB.ca/accessingcapital](http://FCNB.ca/accessingcapital).

### ***Key points on local investment include:***

- Individuals and corporations invested \$35.28 million in 190 New Brunswick companies under the SBITC.
- Within New Brunswick, 773 individuals and 12 corporations/trusts invested under the SBITC program.
- The New Brunswick Innovation Foundation (NBIF) made equity investments of \$5.58 million in New Brunswick companies.
- Angel investors provided \$7.01 million.

Accelerators or incubators invest more than dollars into New Brunswick’s capital markets. Mentorship, educational programming and shared office space are often provided to aid growth in local companies. In May, FCNB published [Making Headway – Exploring the Incubator Ecosystem](#). Its articles describe local participants in this field and highlight how collaboration has benefitted companies enrolled in their programs. *Making Headway* is FCNB’s capital markets newsletter; it is published three times per year and features local capital markets development activities and initiatives. Copies of *Making Headway* can be found at [FCNB.ca/making-headway](http://FCNB.ca/making-headway).



## Community Economic Development Corporations (CEDCs)

FCNB and the Department of Finance introduced rules in 2016 that provide an opportunity for New Brunswickers to channel their investment funds into their local community. The Community Economic Development Corporation (CEDC) program works in conjunction with the Small Business Investor Tax Credit (SBITC) program to incent local investments in our capital markets. Several organizations are now in the planning stage of developing the first CEDC in the province. FCNB has provided ongoing educational programming with the Department of Finance to promote this new capital raising opportunity.

Within a CEDC, a company is allowed to raise up to \$3 million. The minimum investment per individual is \$1,000; the maximum is \$250,000. Individuals and companies benefit from investing in their community and from a 50% personal income tax credit for their eligible investment in a CEDC.

FCNB will be hosting a *Fullsail* capital market development event at the Dieppe Arts & Culture Centre on 14 November 2017. This event will feature entrepreneurs and community leaders who have used CEDC programs in other provinces to successfully raise capital. Additional event details are available on our website [FCNB.ca](http://FCNB.ca).



**Explore the Possibilities:**  
Community Economic Development Corporations

- Real world examples
- Navigating the process
- Discover the benefits

**fullsail**

**SAVE THE DATE!**  
**14 November 2017**  
Dieppe Centre of Arts & Culture  
Visit [FCNB.ca/fullsail](http://FCNB.ca/fullsail) to register

 **FCNB.ca**

## Crowdfunding in New Brunswick

New Brunswick has started to adopt crowdfunding as an alternative form of finance – with more preference to pre-selling and donations. New Brunswick companies have seen some notable activity in Kickstarter – the largest funding platform in the world for creative projects. FCNB has implemented a regime for equity crowdfunding; however, activity in this area remains low.

The following chart shows the number of Kickstarter fundraisers by location and project status. Last year, New Brunswickers initiated 239 projects, of which 96 were successful. Six are still live and the rest either failed (104) or were suspended/cancelled (33).

**Kickstarter projects by location and status of project**

Location	Total no. of Fundraising	Success	Failure	Live	Suspended / Cancelled	Pledged \$
Saint John	31	6	23	2	-	\$11,567
Moncton	106	60	20	3	23	\$342,025
Fredericton	80	30	39	1	10	\$60,042
Miramichi	2	-	2	-	-	\$65
Woodstock	19	-	19	-	-	\$5,103
Bathurst	1	-	1	-	-	\$387
<b>Total</b>	<b>239</b>	<b>96</b>	<b>104</b>	<b>6</b>	<b>33</b>	<b>\$419,189</b>

Projects from Moncton raised the highest amount of pledged funds (\$342,025; 81.59%) followed by Fredericton (\$60,042; 14.32%). Of the total raised in Moncton, \$296,455 (87%) of the funds went to two creative publishing projects.

Equity crowdfunding has been adopted worldwide as shown in [Appendix G](#). However, New Brunswick companies have been hesitant to offer company shares through this new option. To date, activity has been limited to companies developing portals (websites) that provide access so New Brunswick companies can raise money via equity crowdfunding. These portals have been registered with FCNB. Videos describing the equity crowdfunding model can be viewed at [FCNB.ca/accessingcapital](http://FCNB.ca/accessingcapital). FCNB will continue to analyze and report on crowdfunding trends in its future capital markets reports.

## Raising Capital through Public Markets

New Brunswick publically listed companies have the option to raise money through public markets, such as the Toronto Stock Exchange (TSX) or the exempt market. In 2016, New Brunswick public firms raised \$102.65 million, of which \$96.65 million was raised through public markets and \$6.00 million through exempt markets. Of the \$96.65 million raised through public markets, \$73.64 million was raised by a health-care firm and \$23.01 million by a real estate firm. The real estate firm raised an additional \$6.00 million through the exempt markets. Activity in 2016 represents the highest amount of capital raised through public markets in the past five years, with the second highest being \$78.00 million in 2013.

New Brunswick has seven companies listed over various exchanges within Canada and the United States. Two companies are listed on the TSX, four on the TSX Venture Exchange, and one on NASDAQ. Cumulatively, their market capital adds up to \$956.92 million.

### Capital raised through public markets, 2012-2016

	2012	2013	2014	2015	2016	Total from 2012-2016
Public Markets (\$M)	23.20	78.00	11.30	19.94	96.65	229.09

# Venture Capital

The amount of New Brunswick venture capital (VC) deals and investments hit a new high in 2016, with 31 deals completed for a total of \$31.04 million. The last five years generated 106 deals, totalling \$72.06 million. We note that the overall trend with VC investment has been trending upward.

## Key Points:

- 31 deals worth \$31.04 million.
- The average size VC deal (2012-2016):
  - ◆ Increased from \$0.36 million in 2012 to \$1.00 million in 2016.
  - ◆ Increased for the seed and early stage companies, from \$0.32 million in 2012 to \$0.52 million in 2016.
  - ◆ Increased for the later and expansion stage companies, from \$0.51 million in 2012 to \$1.77 million in 2016.
- The number of deals and average size of investment in 2016 increased significantly in the later and expansion stages of company development. Five deals in the later stage were worth \$3.55 million and seven deals in the expansion stage were worth \$17.68 million.
- A broad range of industries attracted VC investments from 2012 to 2016, with the Information Communications Technology (ICT) sector receiving the majority of investment dollars and deals. New Brunswick's ICT raised \$55.77 million, manufacturing \$4.83 million, energy \$3.70 million, life sciences \$1.68 million and various other sectors \$6.08 million.
- New Brunswick's 2016 total VC investment of \$31.04 million comes second only to Nova Scotia's \$37.13 million within Atlantic Canada.
- In 2016, New Brunswick's ICT sector attracted more deals and investment dollars – 21 deals worth \$25.27 million – than any other sector in Atlantic Canada.

**Total number of deals from 2012 to 2016 was 106, raising \$72.06 million.**

**Figure 1.0 - Number and value of VC deals from 2012-2016**

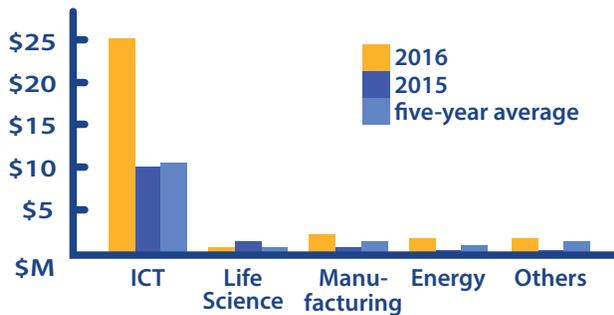


**Figure 1.0a - Average size of VC deals**

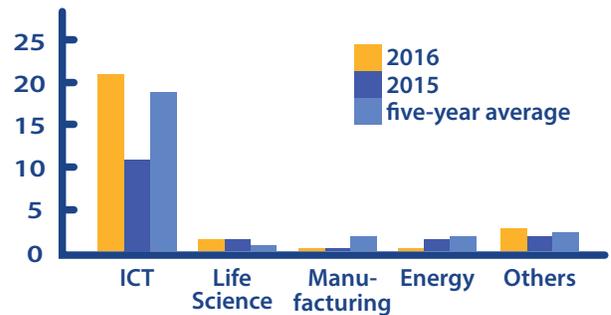


As seen in **Figure 1.1** and **1.1a**, all of New Brunswick's various industries – with the exception of life sciences – did comparatively better in 2016 than 2015 and the five-year average. Other than ICT, the remaining sectors have attracted limited investment over the past five years.

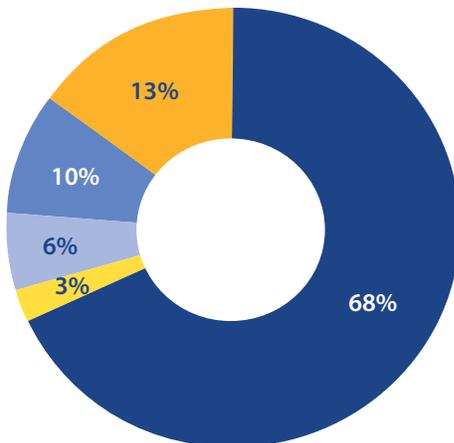
**Figure 1.1 - Amount of VC investment by industry sector**



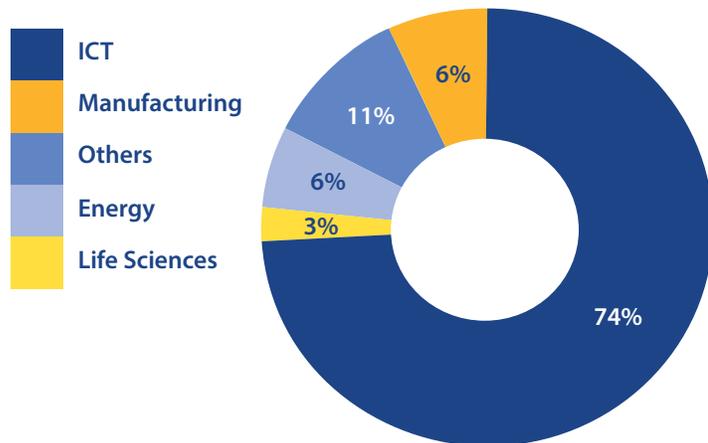
**Figure 1.1a - Number of VC deals by industry sector**



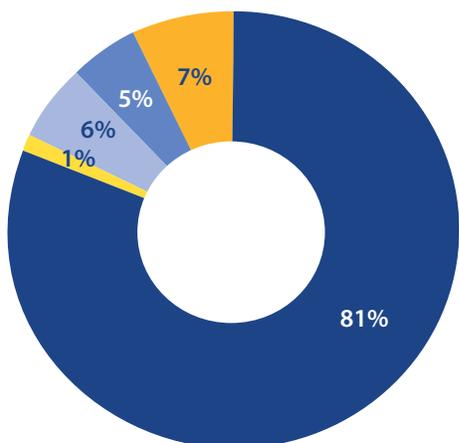
**Figure 1.2 - Composition of number of VC deals by industry in 2016**



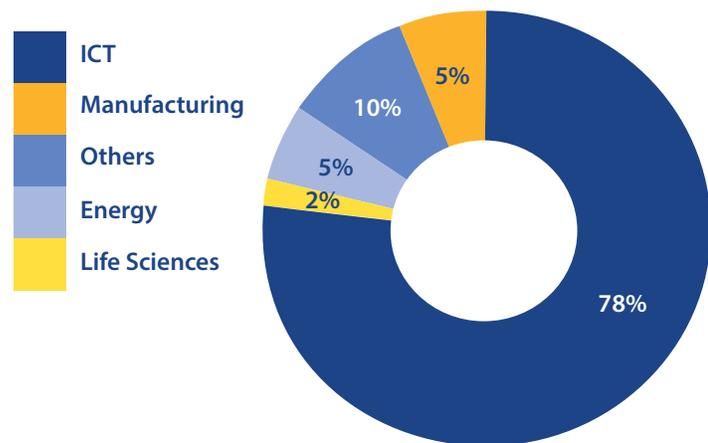
**Figure 1.2a - Composition of number of VC deals by industry over the five-year average**



**Figure 1.3 - Composition of value of VC deals by industry in 2016**



**Figure 1.3a - Composition of value of VC deals by industry over the five-year average**

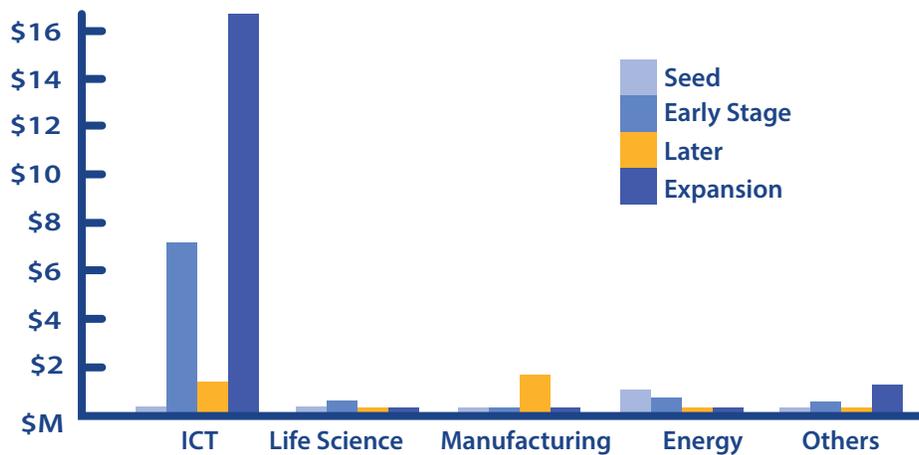


**Chart 1.0 - Number of VC investments by development stage and industry sector, 2016**

	Seed	Early	Later	Expansion	Total
ICT	-	15	1	5	21
Life Science	-	1	-	-	1
Manufacturing	-	-	4	-	4
Energy	1	1	-	-	2
Others	-	1	-	2	3
<b>Total</b>	<b>1</b>	<b>18</b>	<b>5</b>	<b>7</b>	<b>31</b>

**Figure 1.4** explores the investments received at various stages of a company’s development. Definitions of these various stages of development can be found in [Appendix A](#). Of the \$31.04 million raised in 2016, \$8.81 million (18 deals) was invested at the early stage of development and \$21.23 million (12 deals) in the later and expansion stages.

**Figure 1.4 - Value of VC investments by development stage & industry sector, 2016**



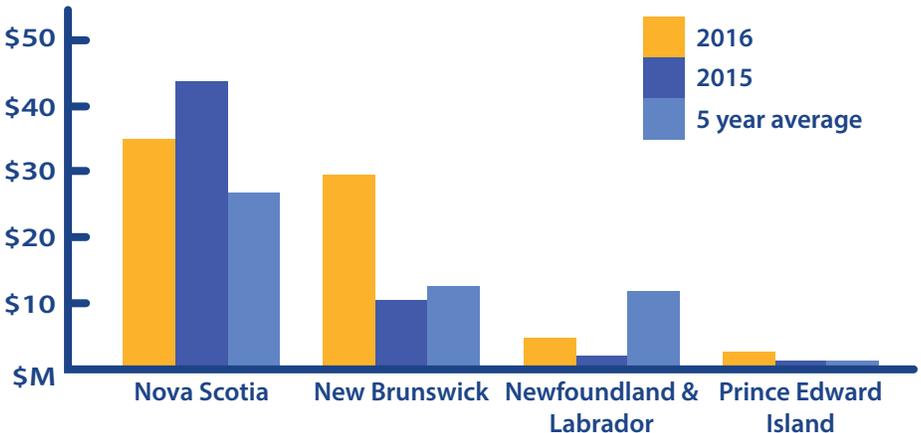
Consistent with prior years, VC firms supported companies in the earliest stage of their development. As well, the results in 2016 show a significant jump in investment for those companies in their later stage and expansion stage of development (five and seven deals respectively). Our research shows that many of the later and expansion stage companies were recipients of investments at their earlier stages of development. Although one year is not a trend, our research in the coming years will focus on the impact that early stage VC funding has on the availability of later stage funding opportunities.

The average investment sizes were \$0.71 million for later stage and \$2.52 million for expansion stage in 2016. The five-year trend can be seen in the following chart.

**Chart 1.1 - Five-year trend in number and amount of VC by development stage**

	Seed		Early		Later		Expansion		Total	
	No.	\$M	No.	\$M	No.	\$M	No.	\$M	No.	\$M
2012	5	0.61	14	5.55	4	2.02	-	-	23	8.18
2013	3	0.85	10	4.45	2	1.82	-	-	15	7.12
2014	3	0.40	14	12.69	5	0.99	-	-	22	14.08
2015	2	0.17	8	9.22	3	1.46	2	0.79	15	11.64
2016	1	1.00	18	8.81	5	3.55	7	17.68	31	31.04
<b>Total</b>	<b>14</b>	<b>3.03</b>	<b>64</b>	<b>40.72</b>	<b>19</b>	<b>9.84</b>	<b>9</b>	<b>18.47</b>	<b>106</b>	<b>72.06</b>

**Figure 1.5 - VC investments in Atlantic Canada**



## Exempt Markets

The exempt markets are an important component of New Brunswick’s capital markets. Over the last five years, investments received by New Brunswick companies, through the exempt markets, reached a total of \$1.20 billion. Significant international investment was reported in 2012, 2013 and 2015. Those deals raised the five-year average size of deals to \$241.14 million, and had a disproportionate impact on the results of other years.

Exempt markets involve a company raising capital by issuing investments, such as securities, that are distributed to buyers without a prospectus. Generally, every company distributing new securities must disclose certain information to potential investors in the form of a prospectus. This information is disclosed to ensure that investors have enough information to help them make a well-informed decision. Sometimes, the requirement for a prospectus can be waived. This exemption usually applies to illiquid securities, which do not have established secondary markets. Securities laws permit companies to use multiple exemptions<sup>1</sup> to raise funds.

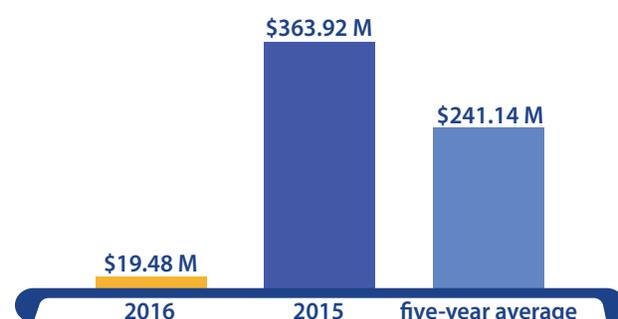
### Key points to highlight:

- Investment totalled \$1.20 billion over the last five years.
- International investors preferred debt securities, while local investors preferred equity securities.
- In 2016, \$19.48 million was raised through the exempt markets; \$11.97 million was raised through equity and \$7.51 million through debt.
- A majority of the exempt markets investment – or \$11.05 million – came from outside New Brunswick in 2016.
- Among the different types of exemptions, accredited investors were relied on the most to raise capital in 2016, followed by family, friends and business associates.
  - ◆ 98% of the capital raised through accredited investors over the past five years.
  - ◆ Among those industry sectors using the exempt markets in 2016: real estate companies raised \$6.00 million, ICT companies \$5.10 million and manufacturing sector \$4.49 million.

**Figure 2.0 - Total exempt markets distribution from 2012-2016**



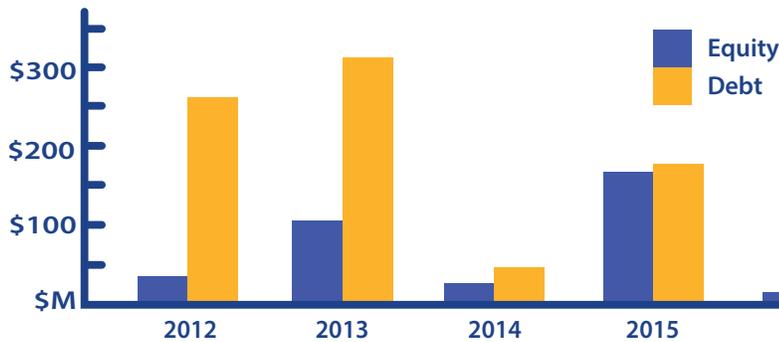
**Figure 2.0a - Exempt markets distribution comparison with five-year average**



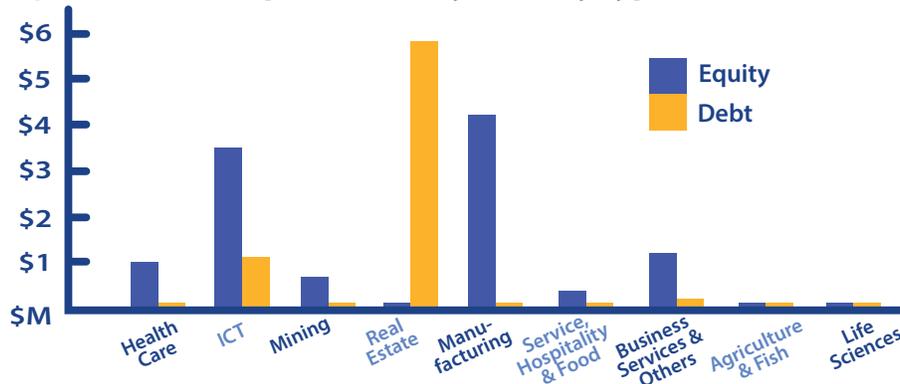
<sup>1</sup>Prospectus exemptions are defined in [Appendix A](#); webinars and videos describing how these exemptions work can be found at [FCNB.ca/accessingcapital](http://FCNB.ca/accessingcapital).

To get a clearer picture, we divided the type of exempt investment made by investors into debt and equity securities, as shown in **Figures 2.1** and **2.1a**. **Figure 2.1** shows exempt markets distribution by type of security from 2012 to 2016. In the past, large international investors preferred debt securities over equity securities. Because of the limited foreign investment attracted this year, equities were the most common security issued. **Figure 2.1a** gives us a closer look at the type of security distributed by different industries in 2016. Most of the sectors, with the exception of real estate, used equity securities for their exempt markets distributions.

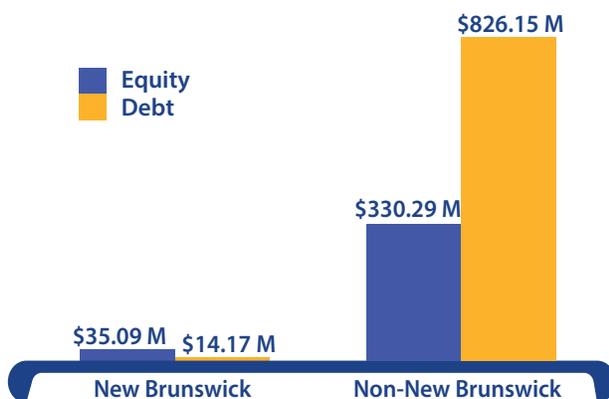
**Figure 2.1 - Exempt markets distribution by type of security, 2012-2016**



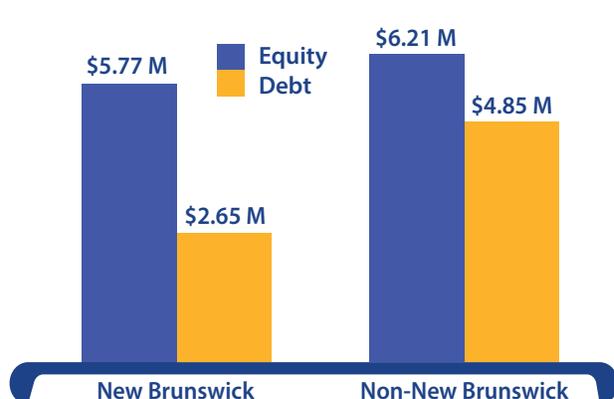
**Figure 2.1a - Exempt markets by security type and sector, 2016**



**Figure 2.2 - Cumulative exempt markets distribution by security type and investor location, 2012-2016**

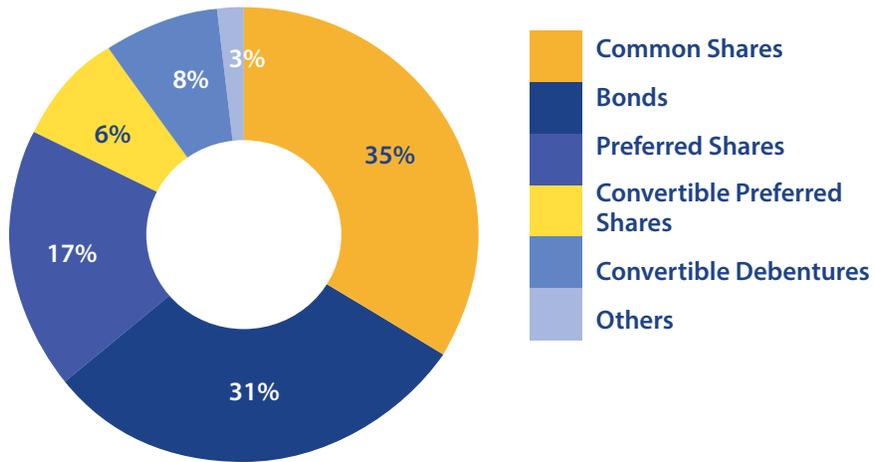


**Figure 2.2a - Exempt markets distribution by security type and investor location, 2016**



Exempt investments are raised through multiple kinds of securities. **Figure 2.3** shows the various types of securities used and the value of each.

**Figure 2.3 - Distribution by security type, 2016**

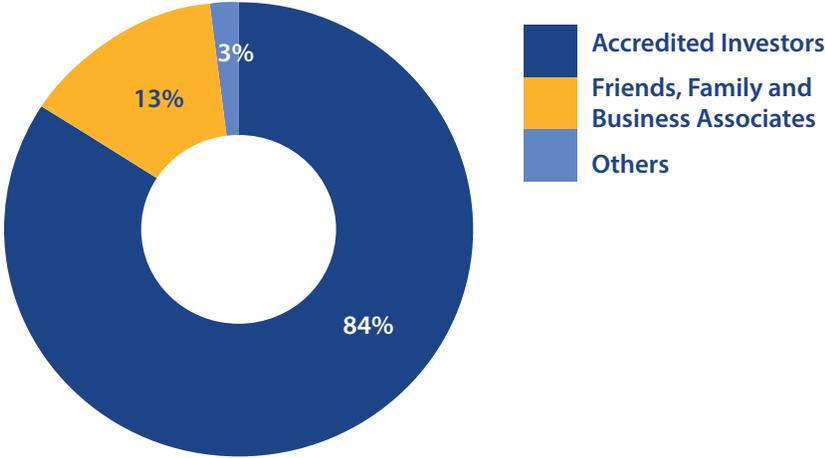


**Chart 2.0 - Exempt markets distribution by security type, 2012-2016**

	Total 2012-2016 (\$M)
Common Shares	49.05
Preferred Shares	67.42
Units	245.57
Bonds	22.04
Convertible Debentures	10.29
Notes	797.03
Debentures	10.74
Others	3.56
<b>Total</b>	<b>1,205.70</b>

As can be seen in **Figure 2.4** and **Chart 2.1**, accredited investors provided the majority of the investments in 2016 followed by family, friends and business associates. The percentage of investment raised by accredited investors was lower this year compared to the last five years. These variations are due to the fact that nearly all of the investment received by New Brunswick’s largest private companies came from accredited investors.

**Figure 2.4 - Exempt markets distribution by type of exemption, 2016**



**Chart 2.1 - Exempt markets distribution by type of exemption, 2012-2016**

	Total 2012-2016 (\$M)
Accredited Investors	1,185.55
Family, Friends and Business Associates	8.46
Private Issuers	8.00
Offering Memorandum	2.44
Others	1.25
<b>Total</b>	<b>1,205.70</b>

## Mergers and Acquisitions

Mergers and acquisitions (M&A) play a significant role in the economic landscape of New Brunswick's capital markets. Private companies are not required to publicly disclose their M&A transaction values. Our information indicates M&A activity in New Brunswick over the last five years was worth at least \$898.01 million. Our analysis is based on information provided by Thompson Reuters<sup>2</sup>, complemented with our own research. Unfortunately, 10 of the 14 deals completed in 2016 did not disclose the value of their transactions. This lack of data significantly limited the scope of our analysis. Instead, we focused on the number of deals and the industry of the company being acquired.

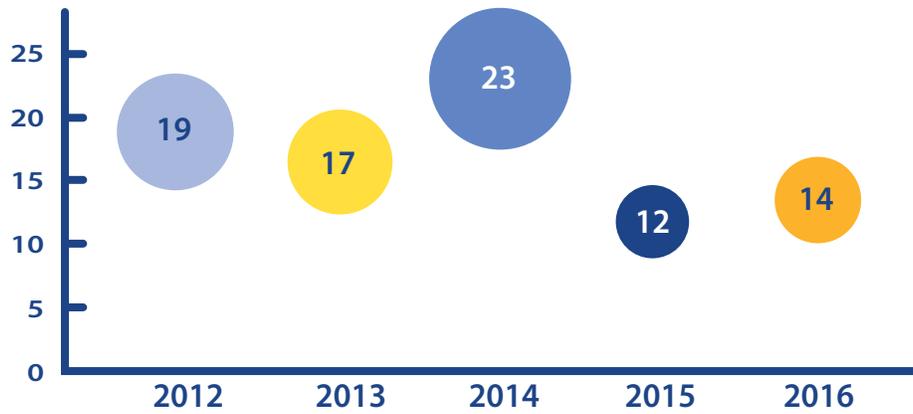
### Key points:

- Over the past five years, New Brunswick had a total of 85 deals.
- New Brunswick's M&A deals increased slightly from 12 in 2015 to 14 in 2016.
- In 2016, two New Brunswick companies (one in the agricultural and fisheries sector; the other in the energy sector) acquired companies internationally.
- Industry sectors with active M&A from 2012 to 2016:
  - ◆ Mining – 20 deals
  - ◆ Business services – 19 deals
  - ◆ Agriculture and fisheries – 17 deals
  - ◆ Industry sectors with M&A activity in 2016: business services, health care, mining, ICT, service and hospitality, and metal product industries each attracted two deals.
- Location of companies acquiring the majority of New Brunswick companies since 2012:
  - ◆ 17 from Ontario
  - ◆ 12 from British Columbia
- New Brunswick companies acquired 22 companies inside and outside the province between 2012 and 2016.



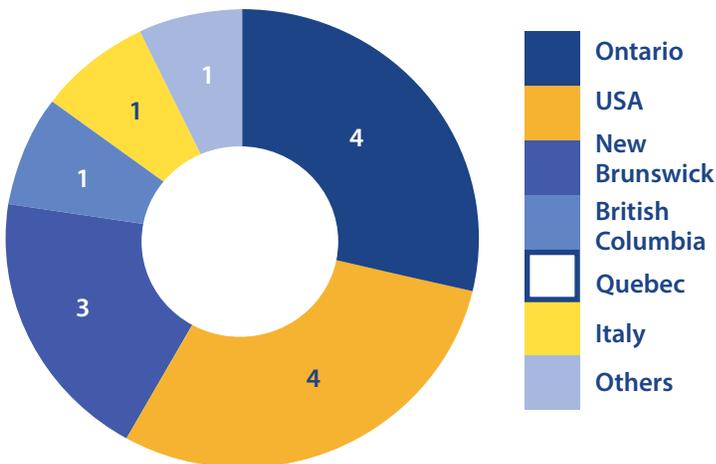
<sup>2</sup>Thompson Reuters researches and publishes information on capital markets worldwide.

**Figure 3.0 - Number of mergers and acquisitions, 2012-2016**

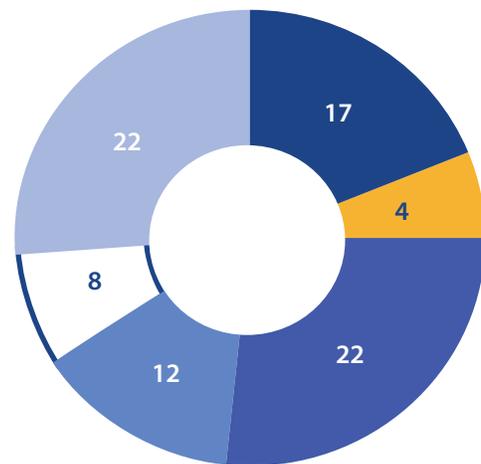


**Figure 3.1** represents the number of M&A deals that include a New Brunswick company as either the acquirer or acquiree, and was disseminated by the acquirer’s location. The research indicates that companies originating in the United States and Ontario were the most active in buying New Brunswick businesses with four deals each. The next most active were New Brunswick companies, with three deals; two of these acquired companies outside of Canada.

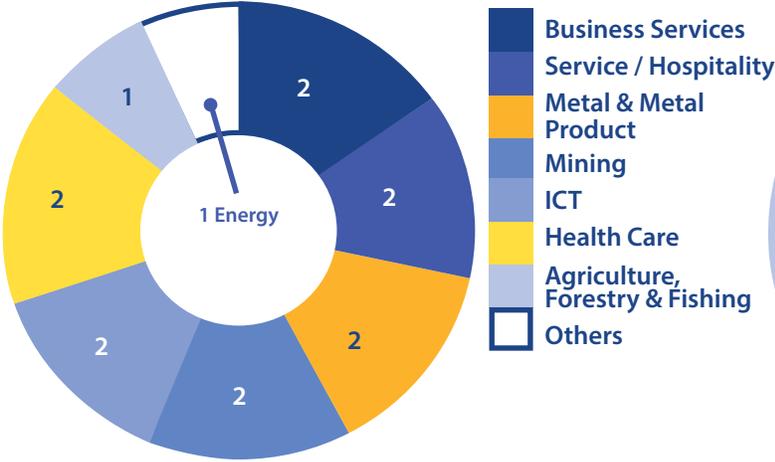
**Figure 3.1 - Number of mergers and acquisitions by acquirer’s location, 2016**



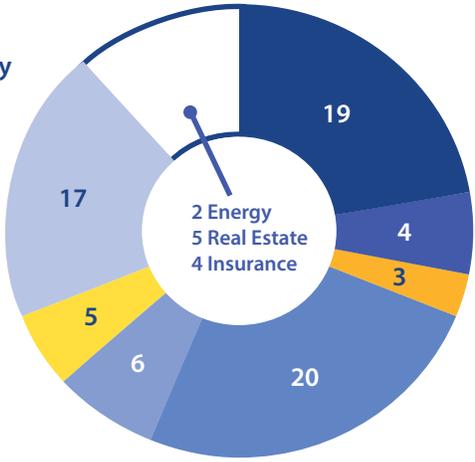
**Figure 3.1a - Number of mergers and acquisitions by acquirer’s location, 2012-2016**



**Figure 3.2 - Number of mergers and acquisitions by industry, 2016**



**Figure 3.2a - Number of mergers and acquisitions by industry, 2012-2016**



**Chart 3.0** shows that New Brunswick companies purchased 22 individual companies over the past five years compared to 63 New Brunswick companies acquired by companies outside the province.

**Chart 3.0 - Total number of acquirer versus acquiree, 2012-2016**

	New Brunswick companies acquiring other companies	Outside companies acquiring New Brunswick companies	Total
2012	5	14	19
2013	7	10	17
2014	6	17	23
2015	1	11	12
2016	3	11	14
<b>Total</b>	<b>22</b>	<b>63</b>	<b>85</b>

# Grants

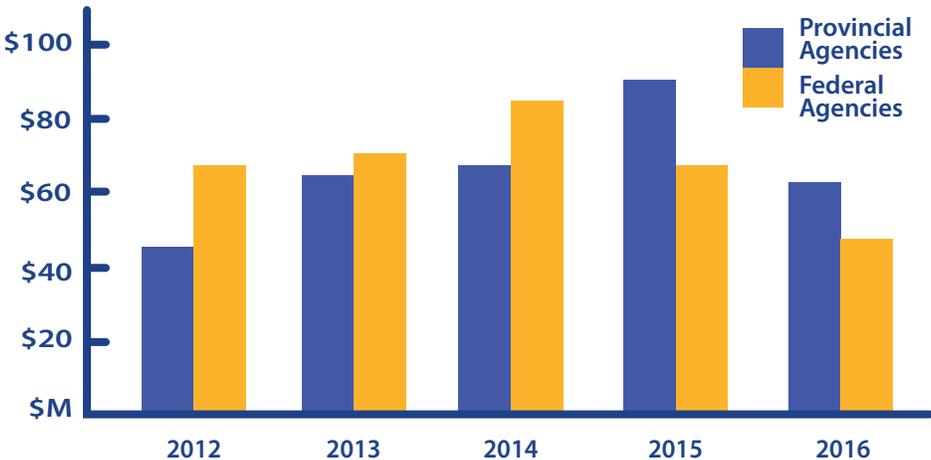
Federal and provincial governments play a role in supporting New Brunswick’s capital market development. Over the last five years, they provided a total of \$696.13 million to support New Brunswick companies (49% provincial and 51% federal).

**Key points:**

- Five-year total was \$696.13 million; \$121.36 million in 2016.
- Both the provincial and federal grant amounts fell in 2016 compared to 2015. Federal grants reduced by \$13.49 million and provincial by \$24.63 million.
- Provincially, the Regional Development Centre (RDC) provided 62% of the grants over the last five years, and Opportunities New Brunswick (ONB) provided 20%. The New Brunswick Innovation Foundation (NBIF) and New Brunswick Health Research Foundation (NBHRF) provided 9% each.
- In 2016, ONB provided \$11.90 million for financial assistance to industry and \$5.50 million to the small business group.
- Federally, Atlantic Canada Opportunities Agency (ACOA) continues to lead as the main grant provider, although the amount of grants they issued fell by \$9.13 million since 2015.

Figure 4.0 provides a comparison of grants provided between 2012 and 2016. Federal grants peaked in 2014 at \$85.92 million, but decreased to \$56.65 million in 2016. Federal grants decreased by \$13.49 million in 2016 compared to 2015, and provincial grants reduced \$24.63 million since 2015. New Brunswick Innovation Foundation (NBIF) provided grants mainly for research-based projects (\$7.00 million in 2016).

**Figure 4.0 - Provincial and federal grants, 2012-2016**



**Figure 4.1 - Provincial grants, 2012-2016**

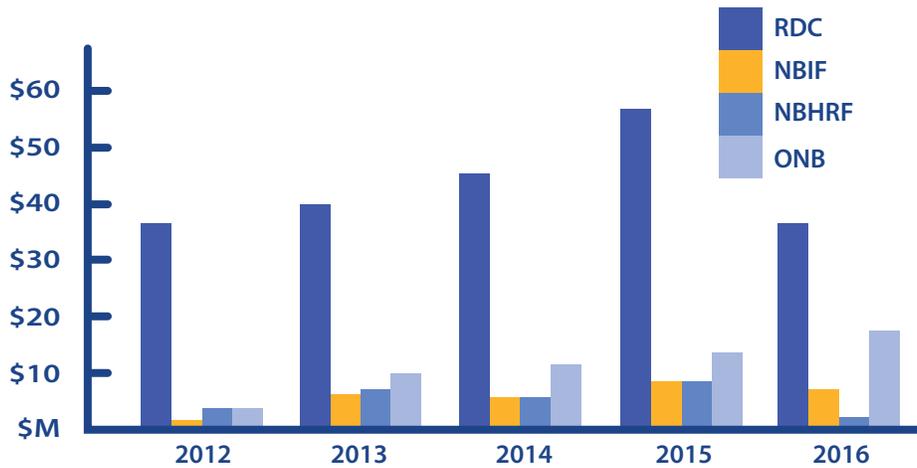
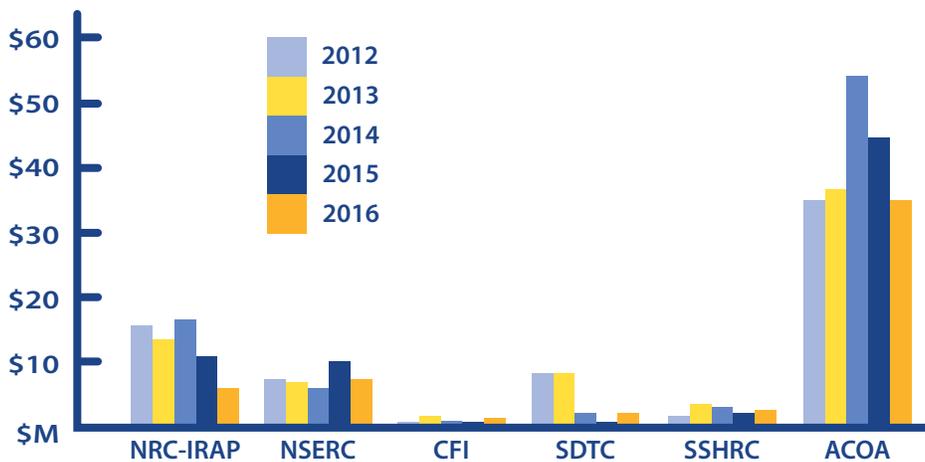


Figure 4.2 shows federal grants issued in New Brunswick in 2016.<sup>3</sup> The Atlantic Canada Opportunity Agency (ACOA) provided 60% of the grants since 2012. ACOA paid out \$36.71 million in grants in 2016, a fall from 2015’s total of \$45.84 million.

**Figure 4.2 - Federal grants, 2012-2016**



<sup>3</sup>See [Appendix A](#) for the full titles of Provincial and Federal grant issuers.

# Debt Financing

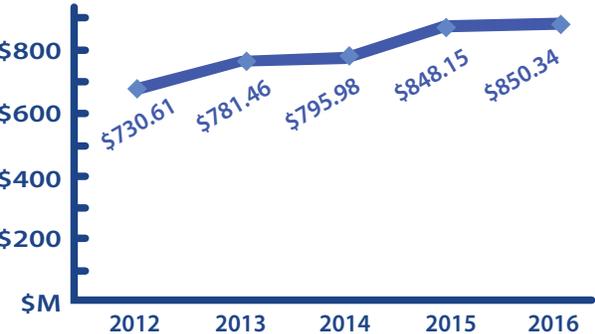
Analysis on indirect financing options in 2016 is limited to the following three institutions: UNI Financial Cooperation (previously Federation des Caisses Populaires Acadiennes), Credit Union Atlantic (New Brunswick) and ACOA. Information from the major chartered banks was not available at a provincial level, constraining our analysis.

**Key points to highlight:**

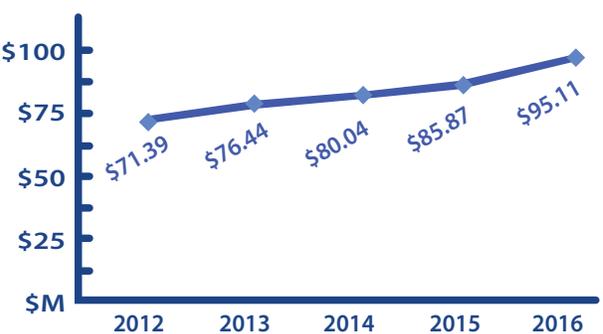
- In 2016, outstanding debt totalled \$978.83 million, which was a 2.75% increase compared to 2015.
- In 2016, UNI provided 87% of the total outstanding business loans; Credit Union Atlantic 10% and ACOA 3%.

UNI and Credit Union Atlantic have experienced a steady growth in the amount of loans provided over the last five years.

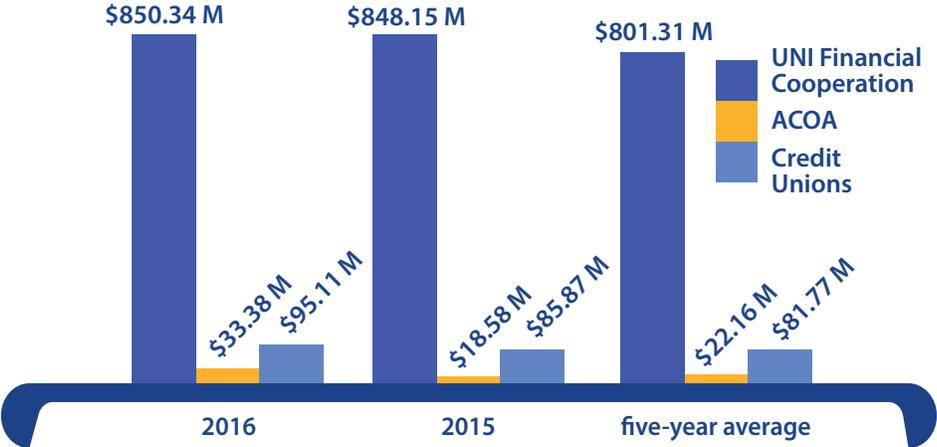
**Figure 5.0 - Outstanding loans of UNI, 2012-2016 (\$M)**



**Figure 5.0a - Outstanding loans of Credit Union Atlantic, 2012-2016 (\$M)**



**Figure 5.1 - Debt financing comparison with a five-year average**



## Analysis and Next Steps

FCNB began researching New Brunswick's capital markets in 2009. This year, our research indicates that VC firms are investing in New Brunswick companies at a later stage of development and the amount they are willing to invest continues to trend upward. In prior reports, we suggested the significant number of VC deals received by New Brunswick companies at the seed and early stage of development might help them attract VC investment as they matured. In 2016, this appears to be the case. We also note that over the last five years, the number of deals and amount invested in seed-stage and early-stage companies have remained relatively consistent; however, the average size of the early-stage investments has increased. In 2016, five companies in the later stage and seven in the expansion stage received significant funding. Future research will focus on trends in financing for the various stages of a company's development.

Given the relatively small size of our capital markets, a single large scale, capital raising opportunity can disproportionately impact our yearly results. In 2016, we noted no capital raising activity by New Brunswick's largest private companies. This low activity level, however, was offset by an increase in activity by New Brunswick's public companies. As annual results vary significantly, we believe viewing the five-year trends is a better measure of capital market activity.

Companies in the ICT, mining and fisheries industry sectors were most active in raising funds in our capital markets in 2016. The energy sector's impact on prior years was not evident this year.

We have also noted New Brunswick companies are adopting various alternative methods of financing their operations, including using platforms such as Kickstarter. We will continue to follow these new or alternative methods of financing. Future reports will focus on equity crowdfunding and CEDC usage.

FCNB welcomes discussion and comments on this report. Please contact our Capital Markets Specialist, Jeff Harriman, at [jeff.harriman@FCNB.ca](mailto:jeff.harriman@FCNB.ca).

## Appendix A – Glossary

**Accredited investors:** A person or organization, generally wealthy and experienced, who meets established criteria. For specific criteria see [National Instrument 45-106 Prospectus and Registration Exemptions](#).

**Agriculture, forestry and food services:** Industry sectors of crop production, animal production, forestry and logging, fishing and other related activities.

**Angel investment:** A monetary or mentoring investment from an individual in a small and/or start-up business.

**Balanced stage:** Funds whose investment focus has a multi-stage (balanced) focus in venture capital. The funds' investment activities include seed-stage, early-stage and/or later-stage investing, with no particular concentration on either.

**Bonds:** A bond is a debt instrument. The investor lends money to a borrower (such as a corporation or the government) for a certain period of time. In exchange, the borrower agrees to pay the investor a fixed rate of interest at certain times and to repay the value of the money borrowed (face value) at its maturity date.

**Capital markets:** These markets bring together the providers and users of capital, the financial products – like stocks, (equity capital) and bonds (debt capital) – that make the transfer of capital possible, and the people and organizations that support the process.

**Common stock:** Securities representing equity ownership in a corporation, providing voting rights, and entitling the holder to a share of the company's success through dividends and/or capital appreciation.

**Convertible debentures:** A type of loan issued by a company that can be converted into stock by the holder and, under certain circumstances, the issuer of the loan.

**Crowdfunding:** The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically through the Internet.

**Debt financing:** Loans derived from institutions, such as banks, credit unions, finance companies, portfolio managers, financial funds and insurance companies.

**Early stage:** Funds making a majority of their investments in companies that have product development, initial marketing, manufacturing and sales activities already in the testing or production stages. The investments are used by the company to begin production and sales. In some cases, the product may just have been made commercially available and the companies may not yet be generating profits. The companies may be in the process of organizing or they

may already be in business for three years or less. Usually, such firms will have produced market studies, assembled key management, developed a business plan, and are ready to start, or have already started, conducting business.

**Employee, executive officer, director and consultant:** This exemption permits an issuer to sell securities in any amount without providing any required disclosure to its employees, executive officers, directors or consultants, provided the purchaser is buying the security voluntarily. That means the purchaser has not been persuaded to buy the security due to a promise that he or she will be, or will continue to be, employed, appointed or engaged by the issuer.

**Energy (Industry sector):** Companies belonging to this sector relate to producing or supplying energy. This sector includes companies involved in the exploration and development of oil or gas reserves, oil and gas drilling, or integrated power firms.

**Equity investment:** A funding source which refers to the acquisition of equity (ownership) participation in a private (unlisted) company, or buying and holding of shares of stock on a stock market by individuals or firms.

**Equity crowdfunding:** Name given to the process in which people (the “crowd”) invest in a private company (not listed on a stock market) in exchange for shares in that company, typically through the Internet.

**Exempt market distributions:** When an issuer sells securities using one of the prospectus exemptions established under securities law.

**Exempt market:** Exempt markets involve securities that are distributed without a prospectus. Generally, every company distributing new securities must disclose certain information to potential investors in the form of a prospectus. This information is disclosed to ensure that investors have enough information to help them make a well-informed decision. Sometimes, the requirement for a prospectus can be waived. This exemption usually applies to illiquid securities, which do not have established secondary markets. Companies can use multiple exemptions to raise funds. For further details, please see Glossary in [Appendix A](#) or the [National Instrument \(NI\) 45-102](#) at [www.fcnb.ca](http://www.fcnb.ca).

**Expansion stage:** When companies have products and services that are currently available, and require additional capital to expand production to increase revenue.

**Family, friends and business associates:** Under this exemption, companies can sell securities in any amount without providing any required disclosure to founders, family, close personal friends or close business associates. There is no limit on the number of purchasers or the amount of money that can be raised using this exemption.

**Funding location:** The geographical source of the venture capital investment being invested into New Brunswick.

**Funder type:** The structure of the fund entity.

**Grant:** A type of fund usually granted by federal and provincial agencies for a specific purpose.

**Federal Grants:**

- **NRC-IRAP:** the National Research Council
- **NSERC:** Natural Sciences and Engineering Research Council of Canada.
- **CFI:** Canada Foundation for Innovation
- **SDTC:** Sustainable Development Technology Canada
- **CIHR:** Canadian Institutes of Health Research
- **SSHRC:** Social Sciences and Humanities Research Council
- **ACOA:** Atlantic Canada Opportunities Agency

**Provincial Grants:**

- **RDC:** Regional Development Corporation
- **ONB:** Opportunities New Brunswick. Additionally, the assistance provided by Financial Assistance to Industry includes payroll rebates, forgivable loans as well as non-repayable contributions toward capital expenditures. The assistance provided by the Small Business Group includes non-repayable contributions toward capital expenditures, non-repayable contributions toward business development expenses and payroll support.
- **NBIF:** New Brunswick Innovation Foundation
- **NBHRF:** New Brunswick Health Research Foundation

**Government VC funder:** A private equity fund formed by a government agency that raises money from outside investors.

**ICT:** The Information and Communications Technology sector.

**Institutional:** Funds managed inside certain large organizations such as endowments, foundations or pension funds, investment banks, and other banking/financial institutions.

**Investor location:** The geographical location of the investor who provided the investment.

**Later stage:** Funds that make a majority of their investments into portfolio companies that have an already established product or service and have already generated revenue, but may not be making a profit. These companies may need capital to grow or expand. The investments are used to increase marketing, production capacity, further product development, etc.

**Life sciences:** The biotechnology, medical and health-care sectors.

**Manufacturing:** The fabrication, processing or preparation of products from raw materials and commodities sectors.

**Mergers and acquisitions (M&A):** An aspect of corporate strategy, corporate finance and management dealing with the buying, selling, dividing and combining of different companies and similar entities that can help an enterprise grow rapidly in its sector or location of origin, or a new field or new location, without creating a subsidiary, or using a joint venture.

**Notes:** A financial security that generally has a longer term than a bill, but a shorter term than a bond.

**Offering memorandum:** A legal document stating the objectives, risks and terms of investment involved with a private placement. This includes items such as the financial statements, management biographies, detailed description of the business, etc.

**Offering memorandum (exemption):** This exemption allows an issuer to issue its securities to anyone, regardless of their relationship, wealth or the amount of securities purchased. Depending on how much money the company is going to raise, the requirements differ.

**Other (under the 'industry' category):** Includes construction, wholesale trade, transportation and warehousing, tourism, utilities, arts, entertainment and recreation sectors.

**Other (under the 'type of funder' category):** Includes investors with an interest in specific private equity deals, but without a permanent market presence, such as angel investors and non-private equity investors.

**Outstanding debt:** The principal amount of money borrowed, but not yet paid back.

**Preferred shares:** A class of ownership in a corporation that has a higher claim on the assets and earnings than common shares. Preferred shares generally have a dividend that must be paid out before dividends to common shareholders and they usually do not have voting rights.

**Private independent:** Funds that make private equity investments and raise a portion or all of its capital from outside investors.

**Private issuer:** When companies need additional financing after formation, they can use the private issuer exemption to issue securities to start a business and sell securities in any amount without any required disclosure, provided these trades are only to specified purchasers and the company's securities are owned by no more than 50 people. The private issuer exemption requires restrictions to be in place, which limit the ability to transfer ownership of the securities.

**Retail:** Funds established with benefit of government tax credits to individuals, such as Labour Sponsored Venture Capital Corporations (LSVCCs).

**Seed stage:** Funds that make a majority of investments in newly formed companies, and in doing so, help a company's founder conduct research leading to development and design of a product or service. This stage involves a relatively small amount of capital and is typically a pre-marketing stage.

**Services:** An industry sector referring to the following services:

- professional
- scientific and technical
- administrative and support
- waste management and remediation
- other services not including educational and public administrative services

**Type of venture capital fund:** The derived or stated investment focus of the fund.

**Type of funder:** The structure of the fund entity.

**Units:** A combination of securities or types of securities put together and bought and sold as one.

**Unit of bundled securities (UBS):** A unit consisting of a common share and a warrant.

**Venture capital investment:** A special form of private equity investment characterized by investment in young, high-growth potential companies.

## Appendix B – Dashboard of New Brunswick’s Capital Markets’ Indicators, 2012-2016

Funding Source:	ICT	Life Science/ Healthcare	Mfg	Energy	Agriculture/ Fisheries	Mining	Real Estate	Insurance	Service/ Hospitality	Other	2012-2016 Total
<b>DIRECT CAPITAL INVESTMENTS:</b>											
Venture Capital	55.77	1.68	4.83	3.70	-	-	-	-	-	6.08	72.06
Exempt Distribution	283.89	3.34	6.16	569.90	251.84	1.28	11.28	-	0.81	14.60	1,143.11
*Public Markets	-	89.78	-	0.18	-	10.50	117.51	-	-	13.22	231.19
<b>Total Direct Investment</b>	<b>339.66</b>	<b>94.80</b>	<b>10.99</b>	<b>573.78</b>	<b>251.84</b>	<b>11.78</b>	<b>128.79</b>	<b>-</b>	<b>0.81</b>	<b>33.90</b>	<b>1,446.36</b>
<b>MERGERS &amp; ACQUISITIONS:</b>											
Acquirers	-	-	0.30	-	399.21	65.49	122.80	-	-	9.51	597.31
Acquired By	0.90	71.34	-	7.82	50.62	24.68	28.03	15.24	100.68	1.39	300.70
<b>Total Mergers &amp; Acquisitions</b>	<b>0.90</b>	<b>71.34</b>	<b>0.30</b>	<b>7.82</b>	<b>449.83</b>	<b>90.17</b>	<b>150.83</b>	<b>15.24</b>	<b>100.68</b>	<b>10.90</b>	<b>898.01</b>
<b>SUPPLEMENTARY CAPITAL</b>											
<b>** GRANTS</b>											
Provincial Agencies	-	-	-	-	-	-	-	-	-	-	341.02
Federal Agencies	-	-	-	-	-	-	-	-	-	-	355.11
<b>Total Grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>696.13</b>
<b>Grand Total, 2012-2016</b>	<b>340.56</b>	<b>166.14</b>	<b>11.29</b>	<b>581.60</b>	<b>701.67</b>	<b>101.95</b>	<b>279.62</b>	<b>15.24</b>	<b>101.49</b>	<b>44.80</b>	<b>3,040.50</b>
***Debt Financing as of Dec 31, 2016	-	-	-	-	-	-	-	-	-	-	978.83

\*Public Markets include amounts raised within the exempt markets and from the public markets.

\*\* We have collected total amounts for grants for our analysis as industry breakdown was not available.

\*\*\* Debt Financing includes information of outstanding loans to New Brunswick businesses made by UNI, ACOA and New Brunswick's credit unions.

## Appendix C – Dashboard of New Brunswick’s Capital Markets’ Indicators, 2016

Funding Source:	ICT	Life Science/ Healthcare	Mfg	Energy	Agriculture/ Fisheries	Mining	Real Estate	Insurance	Service/ Hospitality	Other	Total 2016
<b>DIRECT CAPITAL INVESTMENTS:</b>											
Venture Capital	25.27	0.40	4.27	-	-	-	-	-	-	1.10	31.04
Exempt Distribution	5.09	1.10	4.49	-	-	0.82	-	-	0.48	1.50	13.48
*Public Markets	-	73.64	-	-	-	-	29.01	-	-	-	102.65
<b>Total Direct Investment</b>	<b>30.37</b>	<b>75.14</b>	<b>8.76</b>	-	-	<b>0.82</b>	<b>29.01</b>	-	<b>0.48</b>	<b>2.60</b>	<b>147.17</b>
<b>MERGERS &amp; ACQUISITIONS:</b>											
Acquirers	-	-	-	-	-	-	-	-	-	-	-
Acquired By	-	6.18	-	-	-	0.58	-	-	0.27	-	7.03
<b>Total Mergers &amp; Acquisitions</b>	<b>-</b>	<b>6.18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.58</b>	<b>-</b>	<b>-</b>	<b>0.27</b>	<b>-</b>	<b>7.03</b>
<b>SUPPLEMENTARY CAPITAL:</b>											
<b>**GRANTS:</b>											
Provincial Agencies	-	-	-	-	-	-	-	-	-	-	64.71
Federal Agencies	-	-	-	-	-	-	-	-	-	-	56.65
<b>Total Grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121.36</b>
<b>Grand Total 2016</b>	<b>30.37</b>	<b>81.32</b>	<b>8.76</b>	<b>-</b>	<b>-</b>	<b>1.40</b>	<b>29.01</b>	<b>-</b>	<b>0.75</b>	<b>2.60</b>	<b>275.56</b>
***Debt Financing as of Dec 31, 2016	-	-	-	-	-	-	-	-	-	-	978.83

\* Public markets include amounts raised within the exempt markets and from the public markets.

\*\* Total amounts for grants given only as an industry breakdown was not available.

\*\*\*Debt Financing includes information of outstanding loans to New Brunswick businesses made by UNI, ACOA and New Brunswick’s credit unions.

## Appendix D – Five-Year Dashboard of New Brunswick Capital Markets' Key Indicators

Dashboard	Year (\$M)				
	2012	2013	2014	2015	2016
Venture Capital Investments (\$)	8.18	7.12	14.08	11.64	31.04
VC Number of Deals	23	15	22	15	31
Average Size of Deals (\$M)	0.36	0.47	0.64	0.78	1.00
Exempt Distribution (with energy) (\$M)	304.04	434.89	75.28	343.96	13.48
Exempt Distribution (without energy) (\$M)	23.20	122.47	74.99	343.96	13.48
Number of Exempt Distribution by Issuers	29	21	19	18	16
Public Markets (\$M)*	23.20	80.08	11.30	19.94	102.65
Mergers and Acquisitions (\$M)	215.98	177.70	372.02	125.28	7.03
Provincial Grants (\$M)	48.20	68.14	70.63	89.34	64.71
Federal Grants (\$M)	69.85	72.89	86.00	70.91	56.65
Debt Financing (\$M)	820.02	879.28	895.47	952.60	978.83
SBITC Investment Received (\$M)	17.60	19.30	14.83	32.17	35.28
SBITC Tax Credit Provided (\$M)	5.28	5.79	4.45	15.69	16.78

\*Public Markets include money raised by New Brunswick public companies through both the public markets and the exempt markets.

## Appendix E – Tables

**Table 1.0: Total amount (\$M) and number of venture capital investments**

VC Investments	2012	2013	2014	2015	2016
Amount (\$M)	8.18	7.12	14.08	11.64	31.04
Number of Deals	23	15	22	15	31
Avg Size (\$M)	0.36	0.47	0.64	0.78	1.00

**Table 1.1: Amount (\$M) of venture capital investments by industry sector and type of funder, 2016**

Types of Funder	ICT	Life Sciences	Manufacturing/ Non-High Tech	Others	Total
Government	1.87	-	-	-	1.87
Individual Investors	0.57	-	0.16	-	0.73
Corporate PE/Venture	2.82	-	-	-	2.82
Private Equity Firm	9.25	-	-	0.30	9.55
Other	10.76	0.40	4.11	0.80	16.07
Private	-	-	-	-	-
Retail	-	-	-	-	-
Institutional	-	-	-	-	-
Foreign	-	-	-	-	-
<b>Total VC - 2016</b>	<b>25.27</b>	<b>0.40</b>	<b>4.27</b>	<b>1.10</b>	<b>31.04</b>
Total VC - 2015	10.31	1.06	-	0.27	11.64
Five-Year Avg. VC	11.16	0.34	1.59	1.34	13.95

**Table 1.2: Five-year amount (\$M) of venture capital investments by sector and funder, 2012-2016**

Types of Funder	ICT	Life Sciences	Manufacturing	Energy & Others	Total
Government	5.92	-	0.10	2.04	8.06
Individual Investors	1.36	-	-	-	1.36
Corporate PE/Venture	6.97	-	-	1.93	8.90
Private Equity Firm	17.31	-	-	0.80	18.11
Other	22.90	1.68	4.73	2.12	31.43
Private	-	-	-	-	-
Retail	0.05	-	-	-	0.05
Institutional	1.26	-	-	2.89	4.15
Foreign	-	-	-	-	-
<b>Total</b>	<b>55.77</b>	<b>1.68</b>	<b>4.83</b>	<b>9.78</b>	<b>72.06</b>
Percentage by Industry	<b>77%</b>	<b>2%</b>	<b>7%</b>	<b>14%</b>	<b>100%</b>

**Table 1.3: Amount (\$M) of venture capital investments by development stage and industry**

Stage	ICT	Life Sciences	Manufacturing	Energy	Others	Total
<b>Cumulative 2012-2016</b>						
Seed	1.01	-	-	1.80	0.22	3.03
Early	32.52	1.46	1.30	0.73	3.64	39.65
Later	4.87	0.22	3.53	1.17	1.12	10.91
Expansion	17.37	-	-	-	1.10	18.47
<b>Total Cumulative</b>	<b>55.77</b>	<b>1.68</b>	<b>4.83</b>	<b>3.70</b>	<b>6.08</b>	<b>72.06</b>
<b>Five-Year Average:</b>						
Seed	0.20	-	-	0.36	0.04	0.60
Early	6.50	0.29	0.26	0.15	0.73	7.93
Later	0.97	0.04	0.71	0.23	0.22	2.17
Expansion	3.47	-	-	-	0.22	3.69
<b>Total Average</b>	<b>11.14</b>	<b>0.33</b>	<b>0.97</b>	<b>0.74</b>	<b>1.21</b>	<b>14.39</b>
<b>2016 VC By Development Stage and Industry Sector</b>						
Seed	-	-	-	1.00	-	1.00
Early	7.18	0.40	-	-	1.23	8.81
Later	1.51	-	2.04	-	-	3.55
Expansion	16.58	-	-	0.73	0.37	17.68
<b>Total 2016</b>	<b>25.27</b>	<b>0.40</b>	<b>2.04</b>	<b>1.73</b>	<b>1.60</b>	<b>31.04</b>
<b>2015 VC By Development Stage and Industry Sector</b>						
Seed	-	-	-	-	0.14	0.14
Early	8.05	1.06	-	-	0.13	9.24
Later	1.46	-	-	-	-	1.46
Expansion	0.80	-	-	-	-	0.80
<b>Total 2015</b>	<b>10.31</b>	<b>1.06</b>	<b>-</b>	<b>-</b>	<b>0.27</b>	<b>11.64</b>

**Table 1.4: Number of venture capital investments by development stage and industry**

Stage	ICT	Life Sciences	Manufacturing	Energy	Others	Total
<b>Cumulative 2012-2016:</b>						
Seed	9	-	-	3	3	15
Early	55	2	1	1	4	63
Later	8	1	5	2	3	19
Expansion	7	-	-	-	2	9
<b>Total Cumulative</b>	<b>79</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>12</b>	<b>106</b>
<b>Five-Year Average</b>						
Seed	2	-	-	1	1	4
Early	11	1	-	-	1	13
Later	2	-	1	-	1	4
Expansion	1	-	-	-	-	1
<b>Total Average</b>	<b>16</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>22</b>
<b>2016 VC by Development Stage and Industry Sector</b>						
Seed	-	-	-	1	-	1
Early	15	1	-	1	1	18
Later	1	-	4	-	-	5
Expansion	5	-	-	-	2	7
<b>Total 2016</b>	<b>21</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>31</b>
<b>2015 VC By Development Stage and Industry Sector</b>						
Seed	-	-	-	1	1	2
Early	7	1	-	-	-	8
Later	2	-	-	-	1	3
Expansion	2	-	-	-	-	2
<b>Total 2015</b>	<b>11</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>15</b>

**Table 1.5: Amount (\$M) of venture capital investments by province**

	New Brunswick	Nova Scotia	Newfoundland & Labrador	PEI	Manitoba	Saskatchewan
2012	8.18	37.28	0.85	-	31.00	53.60
2013	7.12	15.26	-	-	11.18	4.13
2014	14.08	11.49	60.00	-	-	17.34
2015	11.64	45.74	1.65	0.71	4.00	2.95
2016	31.04	37.13	5.18	3.00	82.11	25.62
<b>Total</b>	<b>72.06</b>	<b>146.90</b>	<b>67.68</b>	<b>3.71</b>	<b>128.29</b>	<b>103.64</b>

**Table 1.6: Number of venture capital investment deals by province**

Province	2012	2013	2014	2015	2016	Total	Percentage
New Brunswick	23	15	22	15	31	106	36%
Nova Scotia	39	13	10	17	13	92	31%
Manitoba	12	2	1	3	6	24	8%
Saskatchewan	33	5	6	4	8	56	19%
Newfoundland & Labrador	3	1	2	3	3	12	4%
Prince Edward Island	-	-	1	1	1	3	1%
<b>Total VC</b>	<b>110</b>	<b>36</b>	<b>42</b>	<b>43</b>	<b>62</b>	<b>293</b>	<b>100%</b>

**Table 2.0: Exempt markets distribution (\$M), 2012-2016**

	2012	2013	2014	2015	2016	Total
<b>Amount (\$M)</b>	304.05	442.97	75.28	363.92	19.48	1,205.70
<b>Number of Issuers</b>	29	21	19	18	16	103

**Table 2.1: Exempt markets distribution (\$M) by type of securities, 2012-2016**

Securities	2012 (\$M)	2013 (\$M)	2014 (\$M)	2015 (\$M)	2016 (\$M)	Total
<b>Equity Securities</b>						
Common Shares	23.18	4.13	10.25	4.58	6.91	49.05
Options	-	-	-	-	-	-
Preferred Shares	1.57	12.00	10.22	40.38	3.25	67.42
Units	12.30	102.60	0.18	130.50	-	245.58
FT Shares	-	-	0.12	-	0.08	0.20
Warrants	-	-	-	1.40	0.08	1.48
UBS	-	-	-	-	0.46	0.46
Convertible Preferred Shares	-	-	-	-	1.19	1.19
<b>Total Equity Securities</b>	<b>37.05</b>	<b>118.73</b>	<b>20.77</b>	<b>176.86</b>	<b>11.97</b>	<b>365.38</b>
<b>Debt Securities</b>						
Bonds	2.50	4.14	3.40	6.00	6.00	22.04
Convertible Debentures	5.50	0.75	0.65	1.87	1.51	10.28
Convertible Notes	-	-	0.11	0.12	-	0.23
Notes	257.90	312.61	50.35	2.91	-	623.77
Debentures	1.10	6.74	-	176.16	-	184.00
<b>Total Debt Securities</b>	<b>267.00</b>	<b>324.24</b>	<b>54.51</b>	<b>187.06</b>	<b>7.51</b>	<b>840.32</b>
<b>Grand Total</b>	<b>304.05</b>	<b>442.97</b>	<b>75.28</b>	<b>363.92</b>	<b>19.48</b>	<b>1,205.70</b>

**Table 2.2: Exempt markets distribution (\$M) by security type and sector, 2016**

Security Type	Healthcare	ICT	Mining	Real Estate	Mfg	Serv, Hosp & Food	Bus Serv & Others	Agri & Fish	Life Sciences	Grand Total
<b>Equity Securities - 2016</b>										
Common Shares	1.10	1.83	0.20	-	4.49	0.18	0.30	-	-	6.91
Options	-	-	-	-	-	-	-	-	-	-
Preferred Shares	-	1.93	-	-	-	0.30	1.02	-	-	3.25
Units	-	-	-	-	-	-	-	-	-	-
FT Shares	-	-	0.08	-	-	-	-	-	-	0.08
Units of Unbundled Securities	-	-	0.46	-	-	-	-	-	-	0.46
Warrants	-	-	0.08	-	-	-	-	-	-	0.08
Convertible Preferred Shares	-	-	-	-	-	-	-	-	-	-
<b>Total Equity Securities</b>	<b>1.10</b>	<b>3.76</b>	<b>0.82</b>	<b>-</b>	<b>4.49</b>	<b>0.48</b>	<b>1.32</b>	<b>-</b>	<b>-</b>	<b>11.97</b>
<b>Debt Securities</b>										
Bonds	-	-	-	6.00	-	-	-	-	-	6.00
Convertible Debentures	-	1.34	-	-	-	-	0.17	-	-	1.51
Convertible Notes	-	-	-	-	-	-	-	-	-	-
Notes	-	-	-	-	-	-	-	-	-	-
Debentures	-	-	-	-	-	-	-	-	-	-
<b>Total Debt Securities</b>	<b>-</b>	<b>1.34</b>	<b>-</b>	<b>6.00</b>	<b>-</b>	<b>-</b>	<b>0.17</b>	<b>-</b>	<b>-</b>	<b>7.51</b>
<b>Grand Total</b>	<b>1.10</b>	<b>5.10</b>	<b>0.82</b>	<b>6.00</b>	<b>4.49</b>	<b>0.48</b>	<b>1.49</b>	<b>-</b>	<b>-</b>	<b>19.48</b>
<b>Exempt Distribution - 2015</b>										
Equity Securities	4.86	41.31	-	5.20	-	-	0.18	125.00	0.31	176.86
Debt Securities	3.90	51.99	-	6.00	-	-	-	125.17	-	187.06
<b>Grand Total 2015</b>	<b>8.76</b>	<b>93.30</b>	<b>-</b>	<b>11.20</b>	<b>-</b>	<b>-</b>	<b>0.18</b>	<b>250.17</b>	<b>0.31</b>	<b>363.92</b>

**Table 2.3: Exempt markets distribution by security type and investor location, 2012-2016 (\$M)**

Security Type	Cumulative 2012-2016 (\$M)			2016 (\$M)		
	NB	Non-NB	Total	NB	Non-NB	Total 2016
<b>Equity Securities</b>						
Common Shares	17.54	31.51	49.05	3.21	3.70	6.91
Options	-	-	-	-	-	-
Preferred Shares	14.40	53.02	67.42	1.22	2.03	3.25
Units	1.42	244.15	245.57	-	-	-
FT Shares	0.16	0.05	0.21	0.03	0.05	0.08
Units of Unbundled Securities	0.05	0.40	0.45	0.05	0.40	0.45
Warrants	0.33	1.16	1.49	0.06	0.03	0.09
Convertible Preferred Shares	1.19	-	1.19	1.19	-	1.19
<b>Total Equity Securities</b>	<b>35.09</b>	<b>330.29</b>	<b>365.38</b>	<b>5.76</b>	<b>6.21</b>	<b>11.97</b>
<b>Debt Securities</b>						
Bonds	14.17	-	14.17	1.75	4.25	6.00
Convertible Debentures	-	-	-	0.91	0.60	1.51
Convertible Notes	-	-	-	-	-	-
Notes	-	-	-	-	-	-
Debentures	-	-	-	-	-	-
<b>Total Debt Securities</b>	<b>14.17</b>	<b>-</b>	<b>14.17</b>	<b>2.66</b>	<b>4.85</b>	<b>7.51</b>
<b>Grand Total</b>	<b>49.26</b>	<b>330.29</b>	<b>379.55</b>	<b>8.42</b>	<b>11.06</b>	<b>19.48</b>

**Table 2.4: Number of exempt market investors by security and location, 2016**

Type of Securities	New Brunswick	Non-New Brunswick	Total
Bonds	29	43	72
Common Shares	113	-	113
Convertible Debentures	6	4	10
Preferred Shares	20	-	20
Convertible Preferred Shares	6	-	6
UBS	2	11	13
Warrants	2	3	5
FT shares	2	1	3
<b>Total</b>	<b>180</b>	<b>62</b>	<b>242</b>

**Table 2.5: Exempt markets distribution (\$M) by type, 2016**

Type of Exempt Markets	2015 (\$M)	2016 (\$M)
Accredited Investors	362.46	16.34
Employee, Executive Officer, Director and Consultant	-	0.20
Family, Friends and Business Associates	1.33	2.52
Offering Memorandum	0.13	0.12
Rights Offering	-	0.30
<b>Total</b>	<b>363.92</b>	<b>19.48</b>

**Table 2.6: Exempt markets distribution (\$M) by investor location and sector, 2016**

	Healthcare	ICT	Mining	Real Estate	Mfg	Serv, Hosp & Food	Bus Serv & Others	Total
Alberta	0.02	-	0.04	0.96	0.01	-	-	<b>1.03</b>
British Columbia	-	-	0.11	0.30	-	-	-	<b>0.41</b>
Cayman Islands	-	-	-	-	-	-	0.16	<b>0.16</b>
Manitoba	-	-	-	-	-	-	-	<b>-</b>
New Brunswick	1.05	2.66	0.30	1.76	1.26	0.43	0.96	<b>8.42</b>
Ontario	-	0.09	0.30	1.10	-	-	0.31	<b>1.80</b>
Quebec	-	0.28	0.01	1.50	3.20	0.05	0.06	<b>5.10</b>
Nova Scotia	0.02	1.87	0.02	0.08	-	-	-	<b>1.99</b>
Australia	0.01	-	-	-	-	-	-	<b>0.01</b>
US	-	0.20	0.04	-	-	-	-	<b>0.24</b>
Cameroon	-	-	-	-	0.02	-	-	<b>0.02</b>
Prince Edward Island	-	-	-	0.25	-	-	-	<b>0.25</b>
China	-	-	-	0.05	-	-	-	<b>0.05</b>
<b>Total</b>	<b>1.10</b>	<b>5.10</b>	<b>0.82</b>	<b>6.00</b>	<b>4.49</b>	<b>0.48</b>	<b>1.49</b>	<b>19.48</b>

**Table 3.0: Mergers and acquisition deals at a glance in New Brunswick, 2016**

Acquirer Location	Target Location	Amount (\$M)	Number of Deals
US	New Brunswick	Not disclosed	1
Ontario	New Brunswick	3.09	1
US	New Brunswick	Not disclosed	1
Ontario	New Brunswick	0.27	1
US	New Brunswick	Not disclosed	1
US	New Brunswick	Not disclosed	1
Ontario	New Brunswick	Not disclosed	1
British Columbia	New Brunswick	0.58	1
Ontario	New Brunswick	3.09	1
New Brunswick	Ireland	Not disclosed	1
Italy	New Brunswick	Not disclosed	1
New Brunswick	Ontario	Not disclosed	1
Not disclosed	New Brunswick	Not disclosed	1
New Brunswick	Uruguay	Not disclosed	1
<b>Total</b>		<b>7.03</b>	<b>14</b>

**Table 3.1: Total amount (\$M) and number of mergers and acquisitions deals, 2012-2016**

Year	Amount (\$M)	No. of Deals
2012	215.98	19
2013	177.70	17
2014	372.02	23
2015	125.28	12
2016 *	7.03	14
<b>Five-Year Cumulative in \$ and Number</b>	<b>898.01</b>	<b>85</b>
<b>Five-Year Average</b>	<b>179.60</b>	<b>17</b>

\*Total amount (\$M) for 2016 is based on the information for four deals that was available out of 14.

**Table 3.2: New Brunswick companies that acquired other companies and non–New Brunswick companies that acquired New Brunswick companies, 2012-2016 (\$M)**

Year	Acquirer (\$M)	Acquired by (\$M)	Total (\$M)
2012	176.78	39.20	215.98
2013	147.29	30.41	177.70
2014	266.20	105.82	372.02
2015	7.03	118.25	125.28
2016 *	-	7.03	7.03
<b>Five-Year Cumulative</b>	<b>597.30</b>	<b>300.71</b>	<b>898.01</b>
<b>Five-Year Average</b>	<b>119.46</b>	<b>60.14</b>	<b>179.60</b>

\*Total amount (\$M) for 2016 based on the information for four deals that was available out of 14.

**Table 3.3: Total amount (\$M) of mergers and acquisitions by acquirer's location, 2012 -2016 (\$M)**

Location	2012	2013	2014	2015	2016	Cumulative Total (\$M)	Five-Year Average
Alberta	3.11	-	-	-	-	3.11	0.62
British Columbia	18.84	0.30	5.86	74.98	0.58	100.56	20.11
New Brunswick	176.78	147.26	266.21	7.03	-	597.28	119.46
Ontario	15.24	29.39	-	28.03	6.45	79.11	15.82
Quebec	1.11	0.75	47.95	-	-	49.81	9.96
US	-	-	-	-	-	-	-
Unidentified	0.90	-	52.00	15.24	-	68.14	13.63
<b>Total</b>	<b>215.98</b>	<b>177.70</b>	<b>372.02</b>	<b>125.28</b>	<b>7.03</b>	<b>898.01</b>	<b>179.60</b>

**Table 3.4: Total amount (\$M) of mergers and acquisitions by industry, 2012-2016**

Industry	2012	2013	2014	2015	2016	Cumulative Total (\$M)	Five-Year Average
Energy	7.82	-	-	-	-	7.82	1.56
Insurance	-	-	-	15.24	-	15.24	3.05
Healthcare	7.63	-	57.50	-	6.18	71.31	14.26
Real Estate	-	122.80	-	28.03	-	150.83	30.17
ICT	0.90	-	-	-	-	0.90	0.18
Mining	41.84	4.67	43.06	-	0.58	90.15	18.03
Metal and Metal Products	-	0.32	-	-	-	0.32	0.06
Agri, Forestry & Fishing	154.39	24.00	271.46	-	-	449.85	89.97
Service/Hospitality	-	25.70	-	74.98	-	100.68	20.14
Business Services, Wholesale & Others	3.40	0.21	-	7.03	0.27	10.91	2.18
<b>Total</b>	<b>215.98</b>	<b>177.70</b>	<b>372.02</b>	<b>125.28</b>	<b>7.03</b>	<b>898.01</b>	<b>179.60</b>

**Table 3.5: Number of mergers and acquisitions by acquirer's location, 2012-2016**

Location	2012	2013	2014	2015	2016	Total
Alberta	1	-	-	-	-	1
British Columbia	6	2	2	1	1	12
New Brunswick	5	7	6	1	3	22
Nova Scotia	-	-	2	-	-	2
Ontario	5	5	2	1	4	17
Manitoba	-	-	1	-	-	1
Quebec	1	2	5	-	-	8
US	-	-	-	-	4	4
Unidentified	1	1	5	9	1	17
Italy	-	-	-	-	1	1
<b>Total</b>	<b>19</b>	<b>17</b>	<b>23</b>	<b>12</b>	<b>14</b>	<b>85</b>

**Table 3.6: Number of mergers and acquisitions deals by industry, 2012-2016**

Industry	2012	2013	2014	2015	2016	Total
Energy	1	-	-	-	1	2
Insurance	-	1	2	1	-	4
Healthcare	1	-	2	-	2	5
Real Estate	-	2	1	2	-	5
ICT	1	-	3	-	2	6
Mining	9	5	4	-	2	20
Metal & Metal Products	-	1	-	-	2	3
Service/Hospitality	-	1	-	1	2	4
Agri, Forestry & Fishing	5	3	5	3	1	17
Business Services, Wholesale & Others	2	4	6	5	2	19
<b>Total</b>	<b>19</b>	<b>17</b>	<b>23</b>	<b>12</b>	<b>14</b>	<b>85</b>

**Table 4.0: Federal and provincial grants in New Brunswick, 2012-2016 (\$M)**

Funding Organization	2012	2013	2014	2015	2016	Total (\$M)
Provincial Agencies	48.20	68.14	70.63	89.34	64.71	<b>341.02</b>
Federal Agencies	69.71	72.69	85.92	70.14	56.65	<b>355.11</b>
<b>Total</b>	<b>117.91</b>	<b>140.83</b>	<b>156.55</b>	<b>159.48</b>	<b>121.36</b>	<b>696.13</b>

**Table 4.1: Provincial grants in New Brunswick, 2012-2016 (\$M)**

Funding Organization	2012 (\$M)	2013 (\$M)	2014 (\$M)	2015 (\$M)	2016 (\$M)	Total (\$M)
RDC	38.14	40.67	45.53	57.10	37.99	<b>219.43</b>
NBIF	1.29	7.90	5.90	8.50	7.00	<b>30.59</b>
NBHRF	4.27	8.57	5.81	8.64	2.32	<b>29.61</b>
ONB	4.50	11.00	13.39	15.10	17.40	<b>61.39</b>
<b>Total</b>	<b>48.20</b>	<b>68.14</b>	<b>70.63</b>	<b>89.34</b>	<b>64.71</b>	<b>341.02</b>

**Table 4.2: Federal grants in New Brunswick, 2012-2016 (\$M)**

Funding Organization	2012 (\$M)	2013 (\$M)	2014 (\$M)	2015 (\$M)	2016 (\$M)	Total (\$M)
NRC-IRAP	16.29	14.62	17.59	11.49	6.89	66.88
NSERC	7.14	6.95	6.36	10.62	7.29	38.36
CFI	0.22	1.56	0.54	-	0.94	3.26
SDTC	8.00	8.00	2.35	-	2.35	20.70
SSHRC	1.50	3.74	3.47	2.19	2.47	13.37
ACOA	36.56	37.82	55.61	45.84	36.71	212.54
<b>Total</b>	<b>69.71</b>	<b>72.69</b>	<b>85.92</b>	<b>70.14</b>	<b>56.65</b>	<b>355.11</b>

**Table 4.3: Provincial research grants by New Brunswick Innovation Foundation (NBIF), 2016 (\$M)**

Type of Fund	Amount (\$M)
Research Innovation Fund (RIF)	2.69
Research Assistantships Initiative (RAI)	0.90
Research Technicians Initiative (RTI)	-
NB Graduate Scholarships Program	1.22
NB Innovation Research Chairs	1.20
Innovation Voucher Fund (IVF)	1.00
<b>Total</b>	<b>7.01</b>

**Table 5.0: Debt financing of business clients in New Brunswick (\$M), 2012-2016**

Funding Organization	Outstanding Loan Balances				
	2012 (\$M)	2013 (\$M)	2014 (\$M)	2015 (\$M)	2016 (\$M)
Caisses Populaires (NB)	730.61	781.46	795.98	848.15	850.34
ACOA	18.02	21.38	19.45	18.58	33.38
Credit Unions	71.39	76.44	80.04	85.87	95.11
<b>Total</b>	<b>820.02</b>	<b>879.28</b>	<b>895.47</b>	<b>952.60</b>	<b>978.83</b>

**Table 5.1: Outstanding loan balances on January 1 and newly issued loans in 2015 and 2016 – UNI**

Loan Type	Outstanding Loan Balances		Percentage Change (%)
	2015 (\$M)	2016 (\$M)	
New	239.99	217.44	-9.40%
Old	608.16	632.90	4.07%
<b>Total</b>	<b>848.15</b>	<b>850.34</b>	<b>0.26%</b>

## Appendix F – Source List

### Tables 1.0 to 1.6 (VC)

Source: Thompson Reuters

### Tables 2.0 to 2.6 (Exempt markets)

Source: Regulatory filings made to Financial and Consumer Services Commission

Our analysis of New Brunswick’s 2016 exempt markets was completed using information obtained from regulatory filings in addition to information voluntarily provided by investors. Many companies raising capital in New Brunswick rely on private issuer exemption, which do not require reporting to FCNB.

### Tables 3.0 to 3.6 (M&A)

Source: Thompson Reuters

Public Information Sources

### Tables 4.0 to 4.3 (Grants)

#### Provincial Agency Sources:

- 1) New Brunswick Innovation Foundation (NBIF)
- 2) Direct from Opportunities New Brunswick (ONB)
- 3) NBHRF: grants provided by New Brunswick Health Research Foundation

#### Federal Agency Sources:

- 4) NRC-IRAP: grants provided by the National Research Council
- 5) NSERC: grants provided by Natural Sciences and Engineering Research Council of Canada
- 6) CFI: grants provided by Canada Foundation for Innovation
- 7) SDTC: grants provided by Sustainable Development Technology Canada
- 8) CIHR: grants provided by Canadian Institutes of Health Research

9) SSHRC: Social Sciences and Humanities Research Council

10) ACOA: grants provided by Atlantic Canada Opportunities Agency

**Tables 5.0 and 5.1 (Debt)**

Sources:

1) Direct information provided by UNI Financial Cooperation

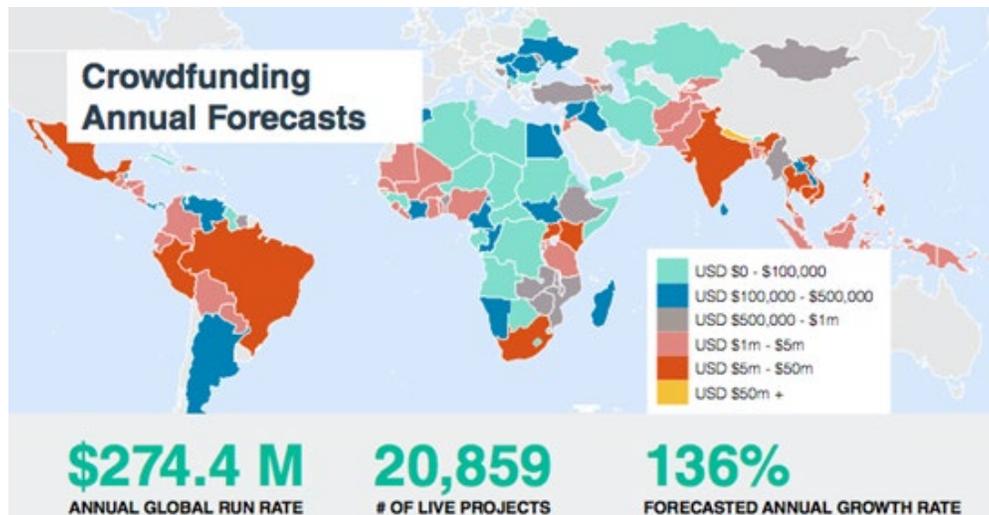
2) Atlantic Canada Opportunities Agency (ACOA), project information site

3) Direct information from Credit Union Atlantic

## Appendix G – Crowdfunding

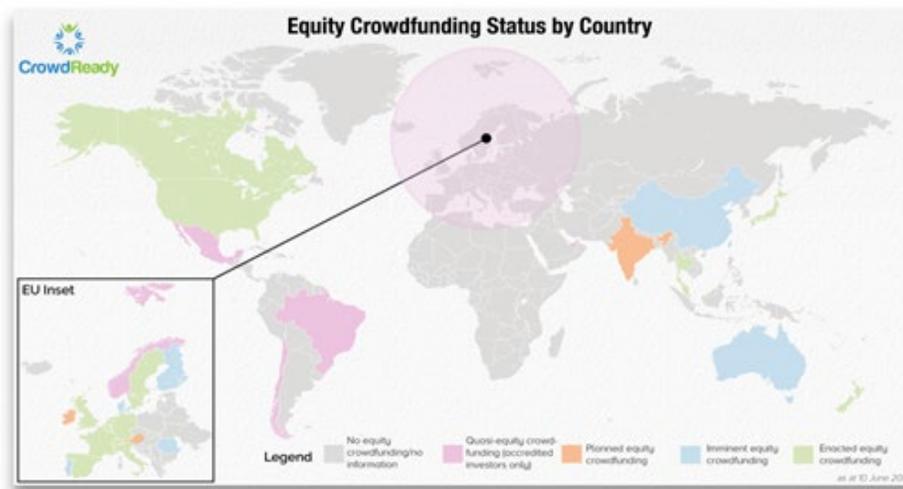
Crowdfunding has had significant growth over the past few years and is expected to maintain this momentum with growth around the world, as shown in the following infographic.

**Chart 1: Crowdfunding growth forecast by region for 2016**



Source: <https://www.crowdfundinsider.com/2015/06/68832-crowdfunding-in-developing-world-said-set-for-explosive-growth/>

**Chart 2: Equity crowdfunding status by region, 2016**



Source: <http://www.crowdfunder.com.au/updates/>

