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More scored in 2004

Ottawa venture capital deals up last year, but amount invested flat

By AP/Sun staff

THEY MAY have been smaller, but there were more of them. According to data from the Ottawa Centre for Research and Innovation, Ottawa-based companies attracted more than \$248 million in venture capital last year.

In the first three quarters of 2004, local companies attracted \$170 million. In Q4, an additional \$78 million flowed into local businesses.

But perhaps most significantly, while the amount invested was nearly flat compared to 2003, the deal count rose by more than 44%, OCRI said in a release yesterday.

Several positive factors led to the highest number of deals since 2002, including increased merger and acquisition activity and a growing, stable base of diversified companies.

"Companies have to work harder and be stronger in order to attract financing today," said Jeffrey Dale, president and CEO of OCRI. "The fact that Ottawa is seeing such a large increase in deals is a leading indicator of the quality of startups and executives that make up our technology community.

"As Ottawa's technology sector continues to grow and gain momentum, it is critical for our next generation of companies to have reliable access to sources of investment capital."

SOFTWARE, WIRELESS EYED

The 33 financing deals were equally distributed throughout the technology clusters -- life sciences, hardware and microelectronics -- with software and wireless being the focus.

The investments were distributed evenly between early-stage startups and expansion-stage companies in the Ottawa area.

OCRI's local statistics followed the announcement earlier this week that U.S. venture capitalists had accelerated their investment pace by 11% in 2004, marking the first year the industry has poured more money into startups since the dot-com crash.

A total of 2,876 investment deals attracted \$20.9 billion US in venture capital last year, up from \$18.9 billion in 2003, according to data from the National Venture Capital Association, Thomson Venture Economics and PricewaterhouseCoopers.

Last year's modest upturn ended three consecutive years of dramatic declines triggered by huge losses flowing from a dot-com debacle that venture capitalists helped create with a flurry of investments. Before the downturn, venture capital investment peaked at \$106 billion in 2000.

The recent VC revival in the U.S., coupled with the surging stock market values of many hi-tech companies, has amplified concerns about another investment bubble.

But most venture capitalists and industry analysts believe things are progressing at a healthy, sustainable rate.

"There isn't the irrational exuberance that we have seen in the past," said Tracy Lefteroff, global managing partner for PricewaterhouseCoopers' venture capital practice.