



British Columbia
Securities Commission

BC Capital Market Report - 2019



ABOUT THIS REPORT

The British Columbia Securities Commission (BCSC) fosters an investment market that is fair and honest.

BC companies¹ and investment funds can distribute securities anywhere in the world, subject to meeting local securities laws. Similarly, BC investors may purchase securities from any company or investment fund, provided the distribution meets the requirements of BC securities law. This report includes capital-raising activities of BC companies and investment funds globally, and of non-BC companies and investment funds from BC investors.

Companies and investment funds raising capital in BC do so by selling securities under a prospectus, or under a prospectus exemption.

A prospectus is a detailed disclosure document that accompanies the public offering of a company's or investment fund's securities, and must include information about its business, capitalization, future plans and how proceeds from the sale of shares under the prospectus will be spent. The company or investment fund must also provide ongoing (continuous) disclosure to keep investors informed of the company's or fund's affairs. The company or investment fund may also choose to list their securities on a stock exchange such as the Toronto Stock Exchange (TSX), the TSX Venture Exchange (TSXV), the Canadian Securities Exchange (CSE), or the Neo Exchange (NEO). In this report, companies that have filed a prospectus are referred to as "public companies."

Companies and investment funds may also sell their securities to certain investors under exemptions from the prospectus requirements. This "exempt" or "private placement" market is available to all companies and investment funds. Companies that sell their securities *only* through private placement, and do not have a continuous disclosure obligation, are referred to in this report as "private companies."

This report includes publicly available data and the BCSC's internal records. Since companies and investment funds are only required to report certain information to the BCSC, this report does not reflect all capital-raising in BC. The timing of filings also impacts the amounts reported for periods, especially for investment funds. As a result, comparative figures may differ from the amounts reported in prior years due to new

¹ The term "companies" refers to all entities (e.g. companies, partnerships, trusts, etc.) except for investment funds.

filings related to those periods, amendments to previous filings and additional information becoming available.

The COVID-19 pandemic significantly impacted global markets during the first quarter of 2020. To capture that impact, the Market Information section of this report includes capitalization as of March 31, 2020. Additional data up to June 30, 2020 is included to reflect subsequent changes in market capitalization.

HIGHLIGHTS

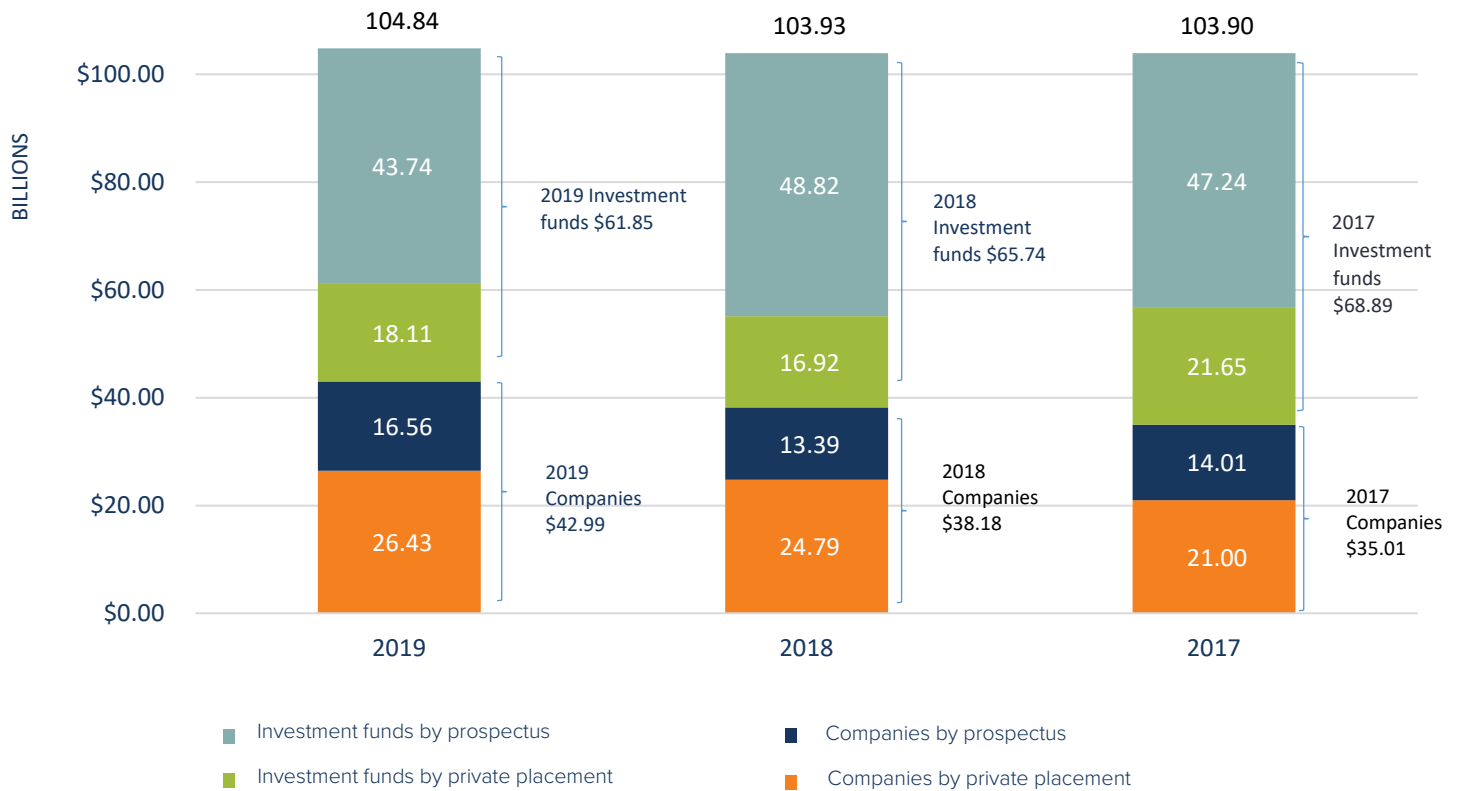
- Total capital-raising in BC grew 1% in 2019 (page 4)
 - Mining, real estate, and banking and finance continued to be key sectors for capital-raising in BC while other resources and utilities rebounded (pages 5-6)
- Nearly half of Canada's listed companies are in BC (page 17)
- COVID-19 reduced Q1 2020 market capitalization, but markets have since recovered with a 9% increase in market capitalization of BC companies as compared to December 31, 2019 (page 18-22)

The Big Picture

RECORD CAPITAL-RAISING

BC's capital market continues to thrive from both a company and an investor point-of-view. Total reported capital raised was \$104.8 billion, an increase of nearly 1% from the year before, setting a new record for the third consecutive year.

Total capital raised²



Capital-raising by companies continued a positive trend, with a 13% increase in capital raised in 2019, offsetting the 6% decrease in capital raised by investment funds in 2019.

² Figures represent reported capital raised by BC companies/investment funds globally and reported capital raised by non-BC companies/investment funds from BC investors.

Capital raised by BC companies and amounts invested by BC investors in non-BC companies by sector

(2019-\$42.99B by 2,571 companies; 2018-\$38.18B by 2,662 companies)



Mining

Mining continues to be an important capital-raising industry in BC, involving 789 companies from inside and outside the province that raised \$3.8B. Capital-raising declined for a third year, an 18% decrease compared to 2018, demonstrating the cyclical nature of the sector. Public companies raised 96% of the amount raised.

Real estate

Capital-raising in the real estate sector decreased in 2019 by 16% to \$5.7B. Private real estate companies continue to be very active in this sector, accounting for 66% of the amount raised.

Cannabis

The cannabis sector raised \$2.2B after significant capital-raising of \$4.6B in 2018 and the legalization of cannabis for recreational use in Canada in October 2018.

Banking and finance

The banking and finance sector raised \$11.8B in 2019, a 39% increase compared to 2018. National and international banks raised more than 38% of the total raised in this sector. Large institutional investors in the private placement market were responsible for \$6.8B (56%) of the amount raised.

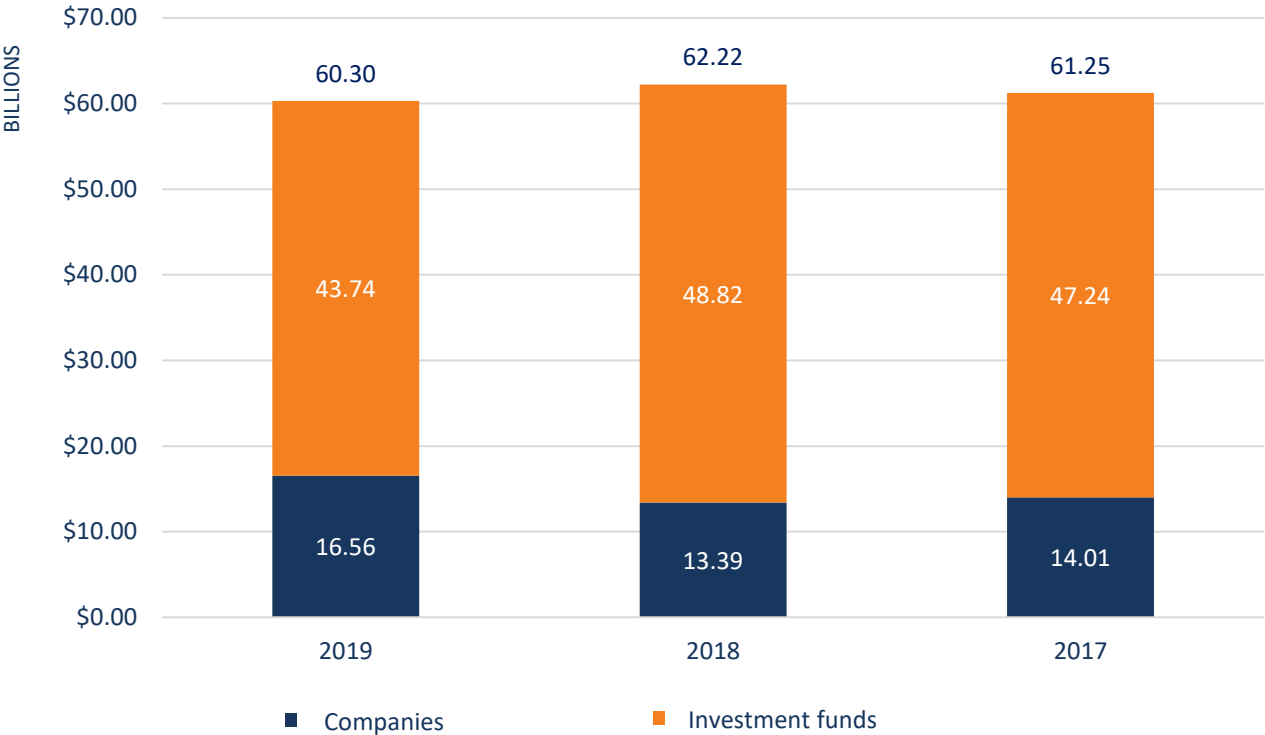
Other resources and utilities sector

In the other resources and utilities sector, the top five companies were in the chemical (Methanex Corp - \$0.9B), forestry, utilities (Ontario Power Generation - \$0.5B; Hydro One - \$0.4B), and pipelines subsectors (Inter Pipeline - \$0.5B; TC Energy - \$0.5B) and raised \$2.8B (41%) of the capital raised.

CAPITAL RAISED BY PROSPECTUS

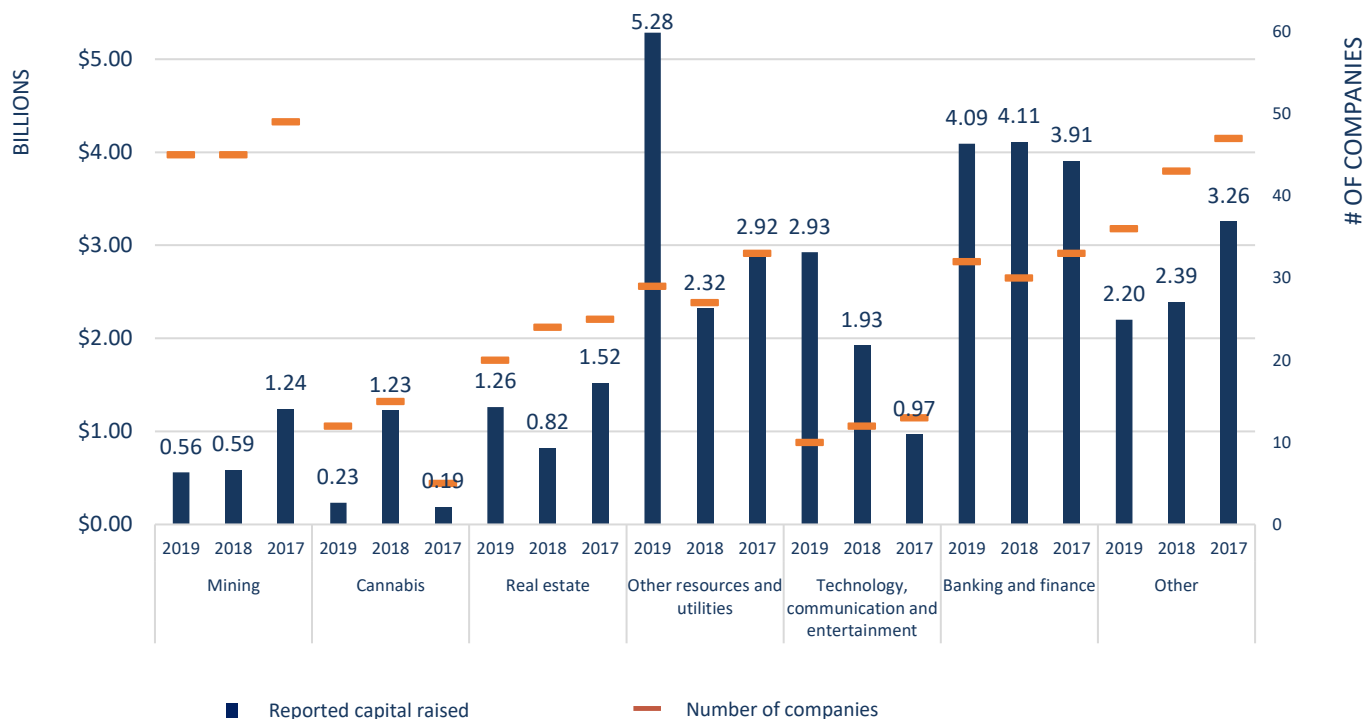
The total capital raised by prospectus – that is, raised under a prospectus globally by BC companies/investment funds and raised under a prospectus in BC by non-BC companies/investment funds – decreased 3% to \$60.3B. Although there was a 24% increase in capital raised by companies under a prospectus, it was offset by a 10% decrease in capital raised by investment funds. The 25 funds most active in 2018 reported a \$3B (-26%) decline in gross sales to BC purchasers in 2019, accounting for much of the reported decline.

Capital raised by prospectus



Capital raised by prospectus by BC companies globally and amounts invested in non-BC companies by BC investors by sector

(2019-\$16.56B 2,400 companies; 2018-\$13.39B 2,465 companies)



Five of Canada’s national banks raised \$3.3B (82%) of the capital in the banking and finance sector.

In the “other resources and utilities sector,” five companies in the chemical, forestry, utilities, and pipelines subsectors raised \$2.8B (54%) of the total, up significantly from the \$1.1B (49%) the five most active companies in the sector raised in 2018. In the other resources and utilities sector, Methanex Corporation raised \$0.91B in 2019.

In the technology, communication and entertainment sector, Telus Corporation raised \$2.80B in 2019 and \$1.73B in 2018.

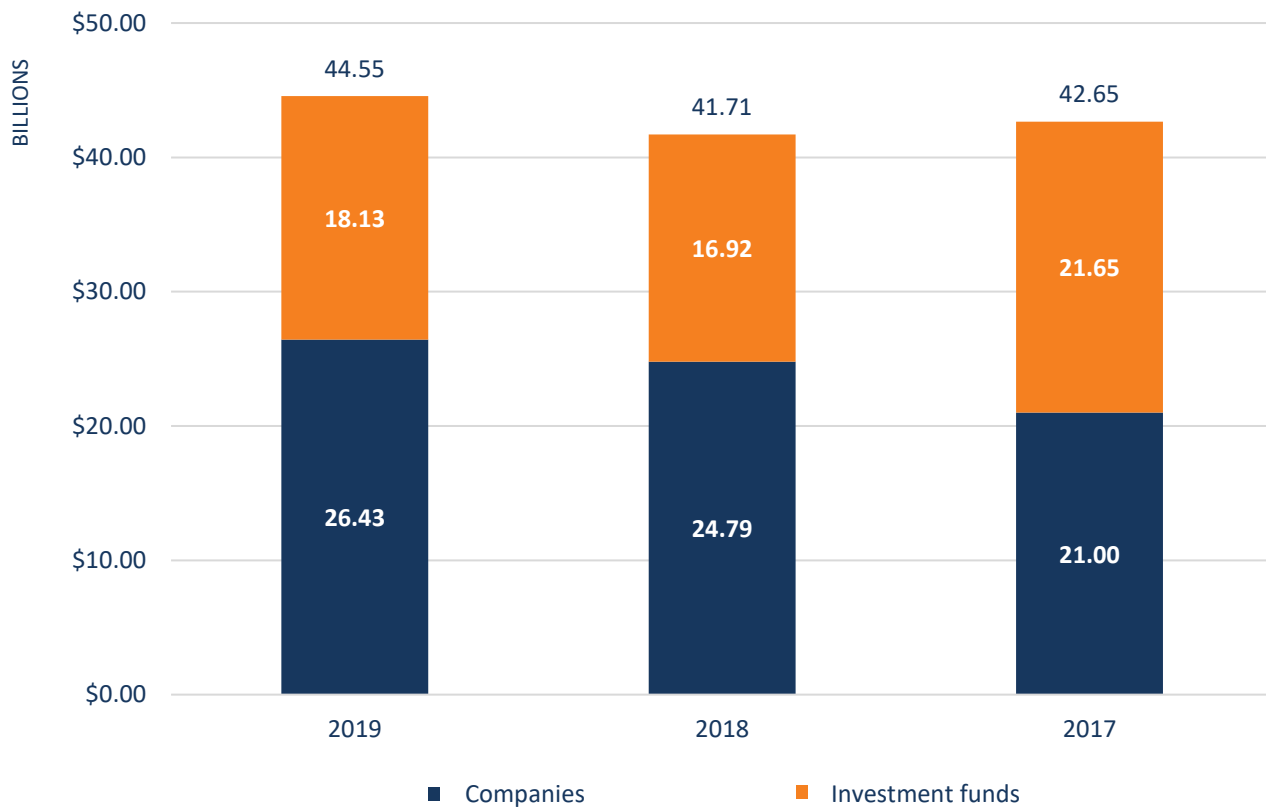
The largest prospectus offering amounts have become even more significant over the last three years. When the Methanex Corporation and Telus Corporation financings are excluded from the totals, there was a 36% decrease in the capital raised by prospectus in 2019 (2018-18% decrease).

CAPITAL RAISED BY PRIVATE PLACEMENT

Companies and investment funds (whether from BC or not) can sell their securities to certain investors under exemptions from the prospectus requirements. This “exempt” or “private placement” market is available to all companies and investment funds.

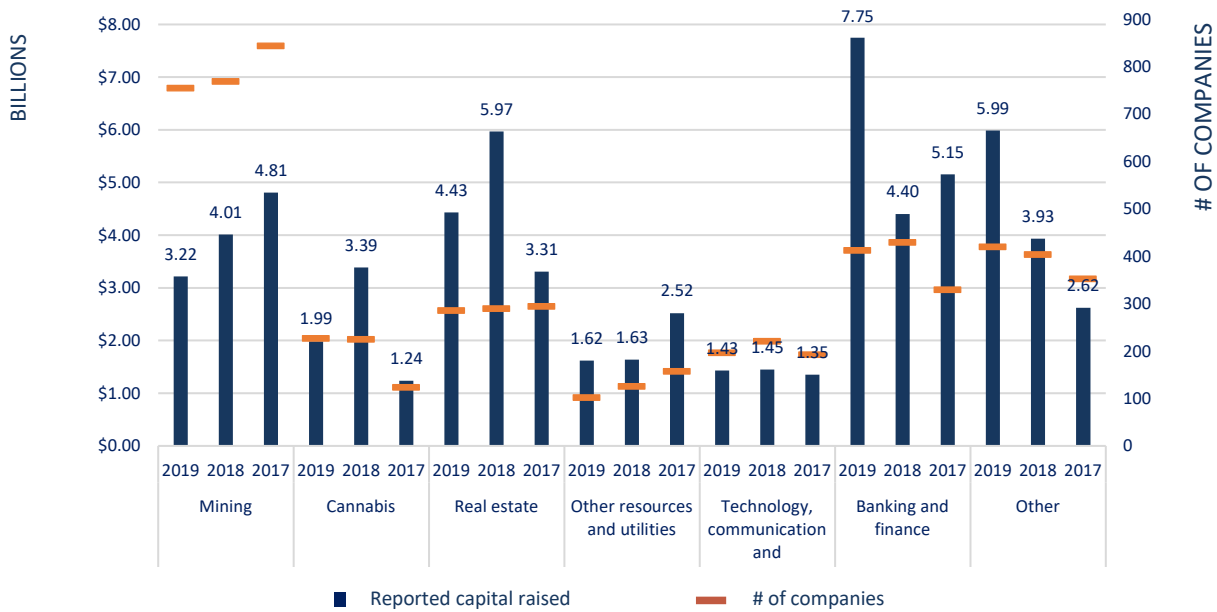
The total capital raised by private placement – that is, raised by private placement globally by BC companies/investment funds and raised by private placement in BC by non-BC companies/investment funds – increased 7% to \$44.6B in 2019.

Reported capital raised by Private Placement



Capital raised by private placement by BC companies and amount invested in non-BC companies by BC investors by sector

(2019-\$26.43B 2,400 companies; 2018-\$24.79B 2,465 companies)



The banking and finance sector raised \$7.8B in 2019, a 76% increase compared to 2018. National and international banks represent 38% of the reported capital raised. The ten most active institutional investors were responsible for \$6.8B (84%) of the total.

The next two largest sectors were real estate (\$4.4B) and mining (\$3.2B). Mining represents the largest number of companies raising capital by private placement (32%).

EXEMPTIONS RELIED ON BY COMPANIES IN THE PRIVATE PLACEMENT MARKET

Based on reports that companies filed with the BCSC, the most commonly reported exemptions are:

- **Accredited investor**³: \$21.6B, or 81% of the total raised
- **BCI 72-503 *Distributions outside of BC***⁴: \$1.8B, or 7% of the total raised
- **Minimum investment**⁵: \$1.0B, or 4% of the total raised
- **Offering memorandum**⁶: \$0.8B, or 3% of the total raised

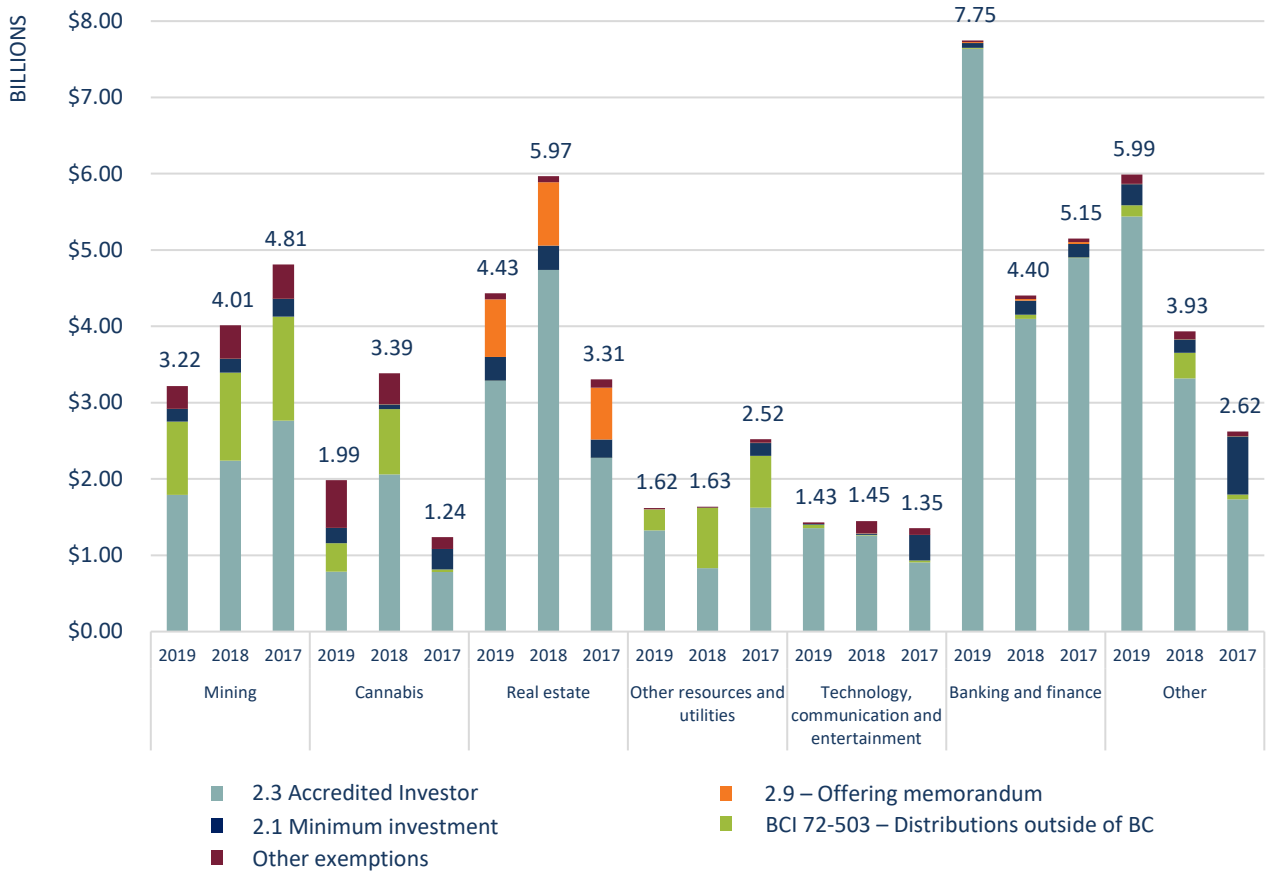
³ Under the accredited investor exemption (AI exemption), any company and investment fund may raise any amount of money from investors who meet specific minimum annual income or net worth levels.

⁴ The prospectus exemptions in BCI 72-503 are available to a BC-based company when distributing securities solely to purchasers located outside of BC when the company complies with the applicable securities laws of the purchaser's jurisdiction.

⁵ Under the \$150,000 exemption, also known as the "minimum investment" exemption, a company can sell securities to non-individual investors without providing any disclosure to the purchaser, provided the purchaser buys at least \$150,000 worth of securities.

⁶ Under the offering memorandum exemption (OM exemption), any company and investment fund may raise any amount of money from any BC purchaser after providing the offering memorandum disclosure document and having the purchaser sign a risk acknowledgement form.

Capital raised by sector and exemption
 (2019-\$26.43B; 2018-\$24.79B)

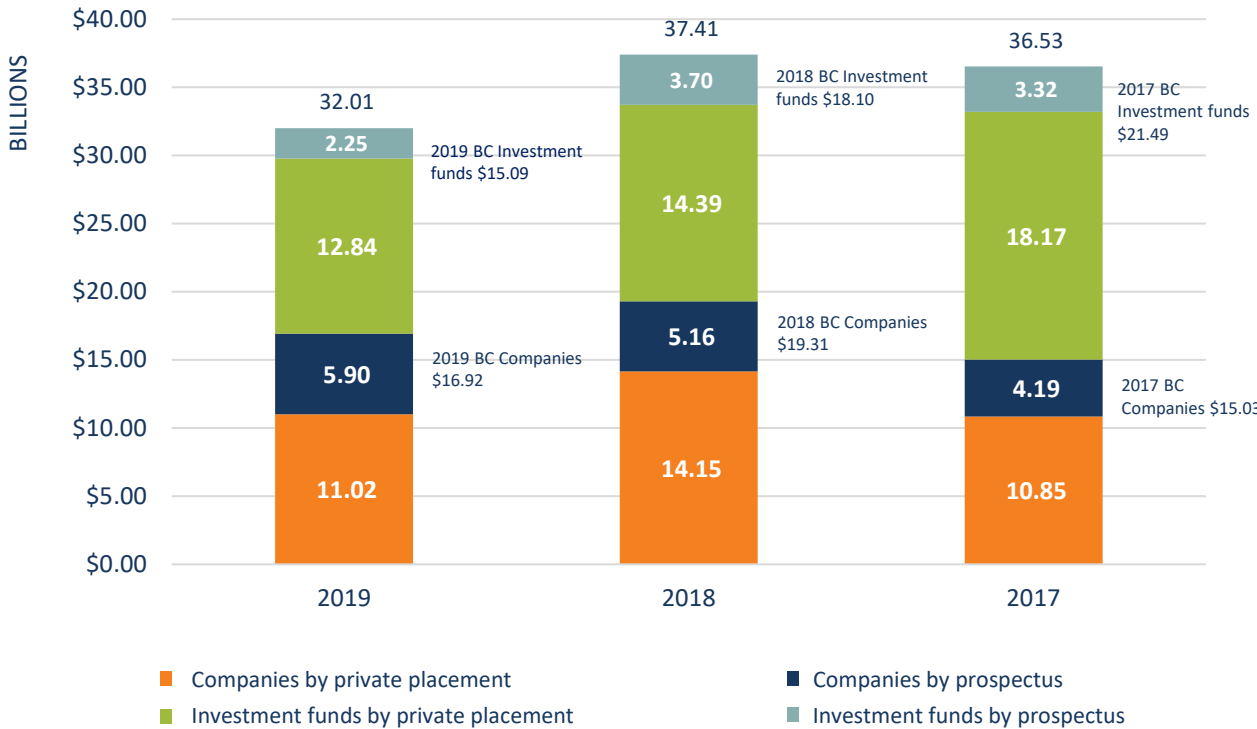


FOCUS ON BC COMPANIES AND BC INVESTMENT FUNDS

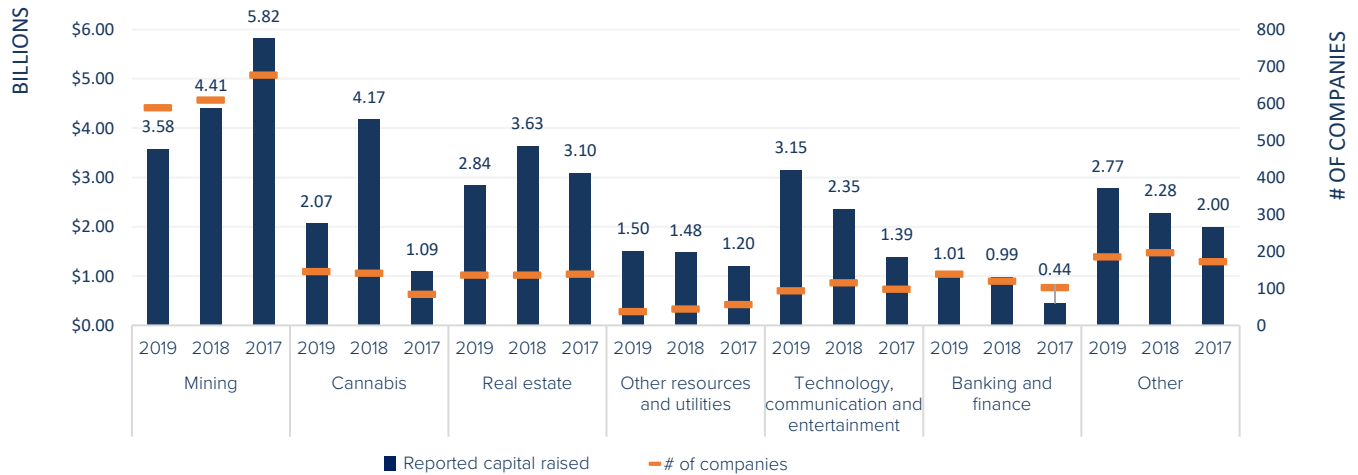
The previous section includes capital raised by BC companies/investment funds and capital raised by non-BC companies/investment funds from BC investors. This section includes only BC companies/investment funds.

BC companies and BC investment funds raised 31% of the total reported capital raised in the BC capital market. The total raised in 2019 was \$32.0B, down 14% from 2018.

Reported capital raised by BC companies and BC investment funds



Amounts raised by BC companies by sector
 (2019-\$16.92B 1,310 companies 2018-\$19.31B 1,269 companies)



Mining

Even with a 19% decrease in the capital raised in 2019 (24% decrease in 2018), the mining sector remains the most active sector with the largest number of active companies and the largest total amount raised. The 589 BC mining companies that raised capital accounted for 21% of the capital raised by BC companies.

Capital-raising in the mining sector is cyclical. Globally, mining capital-raising fell from 2013 through 2015. Activity increased as commodity prices rose in 2016, but investment in this sector has not returned to pre-2013 levels. Smaller mining companies have been less able to raise exploration funds than major companies. This trend is visible in BC, where most companies are small and spend their capital on early-stage exploration and pre-development mineral properties.

Cannabis

After raising a record \$4.2B in 2018, capital raised in the cannabis sector in 2019 dropped 50% to \$2.1B.

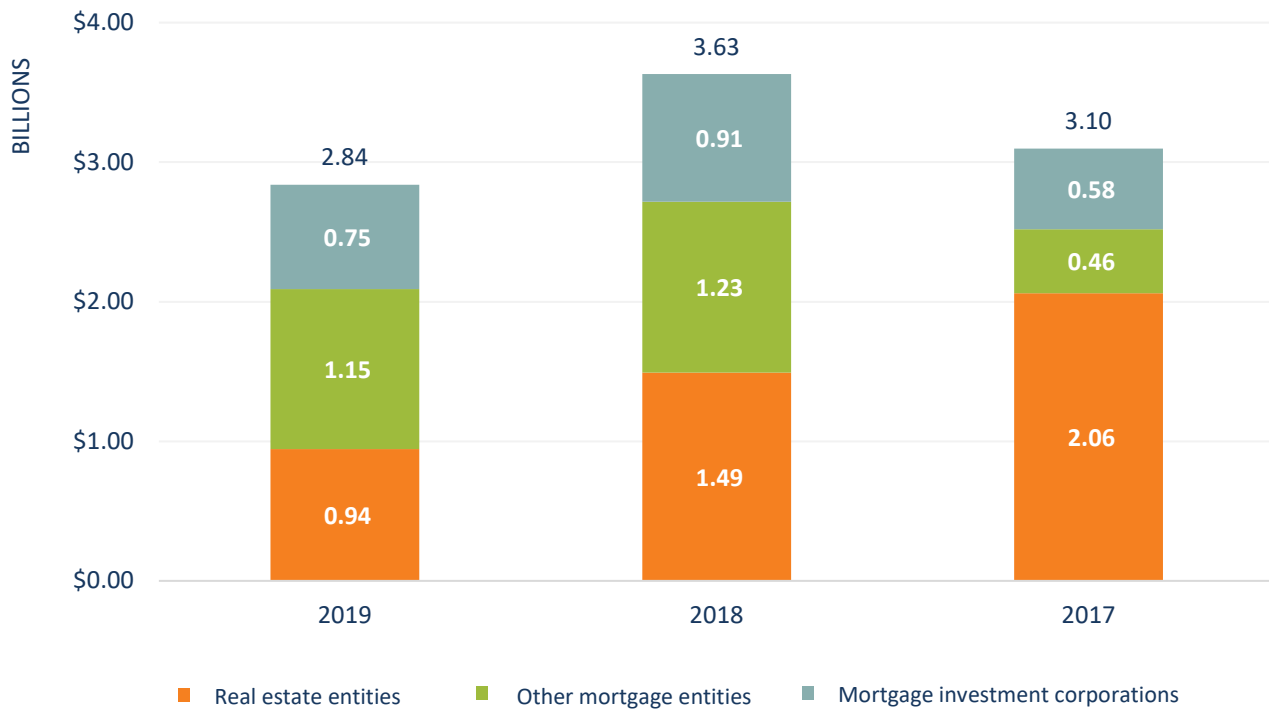
Technology

Capital raised in the technology, communication and entertainment sectors increased in 2019, as it did in 2018, primarily due to Telus Corporation completing a \$2.80B financing in 2019 and a \$1.72B financing in 2018.

Real Estate

Capital-raising in the real estate sector declined 22% (\$2.8B raised). Private companies accounted for most, 96%, of the reported capital raised.

Amounts raised⁷ by BC companies in the real estate sector



Although there was a 22% overall decrease in capital raised in the real estate sector in 2019, the 2018 figures included \$1.4B raised by two special purpose real estate entities – a real estate entity (\$0.9B) and a mortgage entity (\$0.5B). Excluding those two unusually large 2018 transactions, the 2019 results would have increased 27%.

⁷ Mortgage investment corporations (MICs) are entities structured under the Income Tax Act to fund mortgages. “Other mortgage entities” fund mortgages but are not MICs. “Real estate entities” are all other entities in the real estate sector.

MARKET INFORMATION

The following analyses summarize the companies listed on three Canadian exchanges (TSX, TSXV, and CSE)^{8,9}. The analyses do not include investment funds¹⁰ and companies that are only listed on foreign marketplaces.¹¹

To reflect the significant impact of COVID-19 on the capital market in the first quarter of 2020, the March 31, 2020 figures are included. All comparative figures are as of December 31, 2019.

NUMBER OF CANADIAN-LISTED COMPANIES BY HEAD OFFICE AND EXCHANGE

The BCSC is the principal regulator for 44% (1,423 of 3,201) of *all* companies listed in Canada, including over half of all listed *venture* companies.¹² The next-largest jurisdiction by number of listed companies is Ontario, with 26% of all listed companies. While the total number of BCSC-regulated public companies stayed the same in 2019, numbers declined in all other major jurisdictions.

Of all public companies, BC companies represent 52% of TSXV-listed companies, 56% of CSE-listed companies, and 18% of TSX-listed companies. The BCSC regulates the second largest number of TSX-listed companies in Canada.

Companies that list on the TSXV may over time meet the listing requirements of the TSX and choose to graduate to that senior exchange. Seventy-five of the 141 BC-based companies (53%) listed on the TSX were graduates from the TSXV. Nationally, 31% of companies listed on the TSX were TSXV graduates.

⁸ Sources: TSX/TSXV and CSE market reports

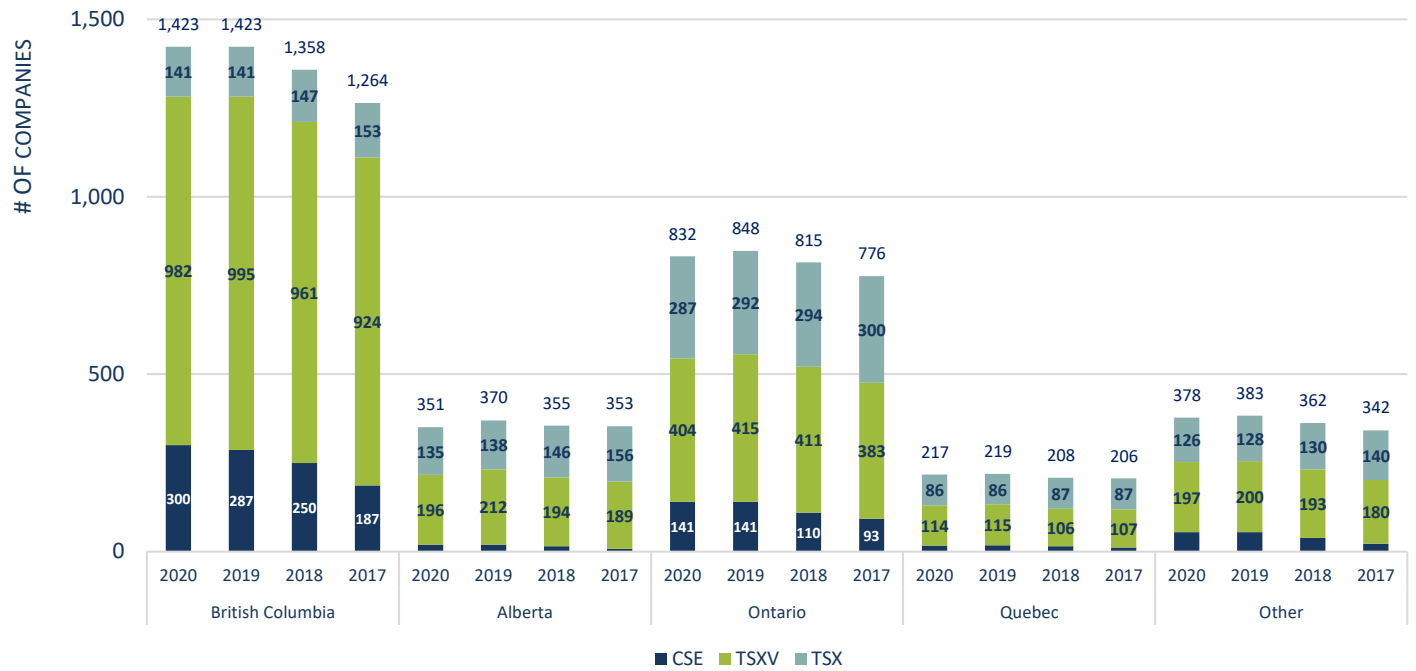
⁹ Excluding the Neo Exchange which had 13 companies listed at December 31, 2019 (2018-10) – none of the listings are located in BC

¹⁰ There were 820 (2019-783, 2018-719, 2017-665) listed investment funds with a market capitalization of \$202.3B (2019-\$220.6B, 2018-\$169.6B, 2017-\$166.8B). None of the listed investment funds are located in BC.

¹¹ Such as the NYSE, NASDAQ, and OTC markets

¹² Ventures companies refer to the companies listed on the TSXV and CSE

Number of Canadian-listed companies by head office and exchange
 (2020-3,201 companies; 2019-3,243 companies; 2018-3,098 companies)

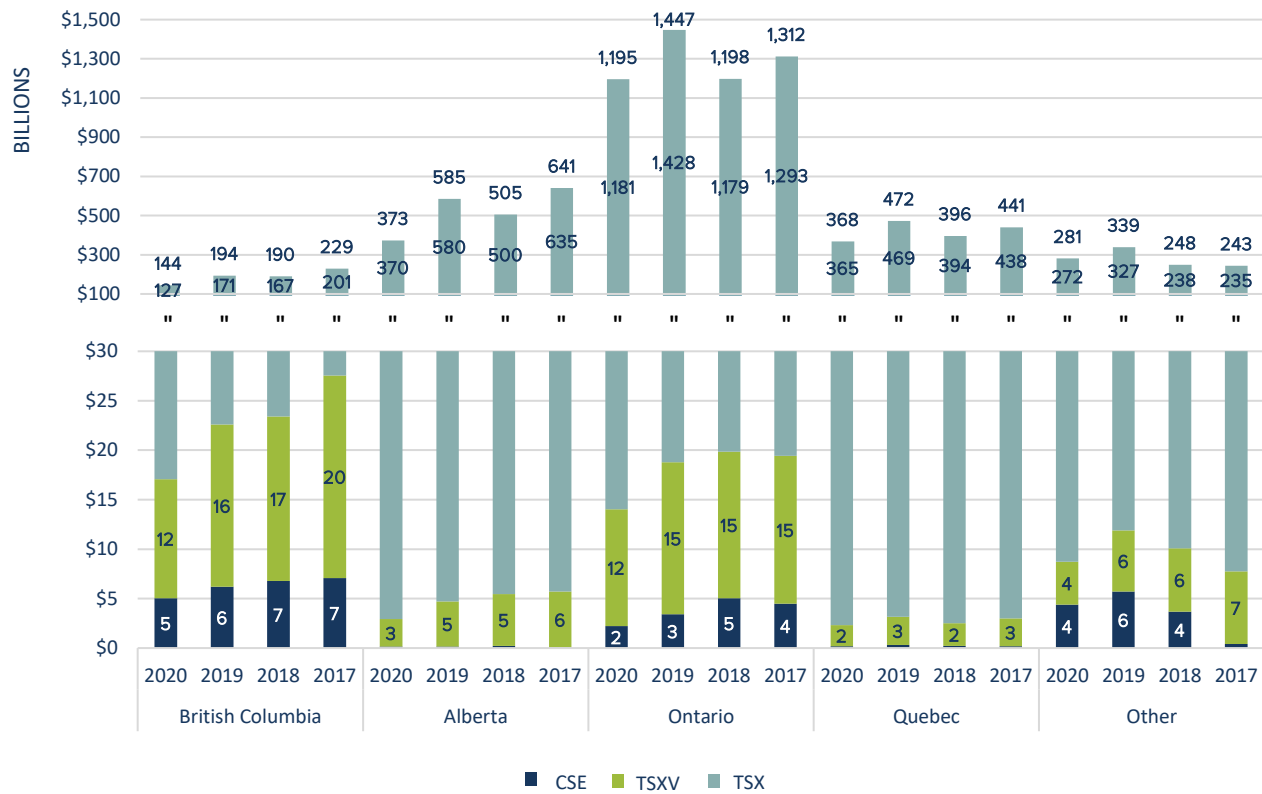


MARKET CAPITALIZATION BY HEAD OFFICE AND EXCHANGE

The total market capitalization in Canada was \$3.0T, as of December 31, 2019 – a 20% increase from 2018 (\$2.5T). By March 31, 2019, market capitalization in Canada fell 22% (\$2.4T) likely due to the effects of the pandemic. It improved to \$2.8T by June 30, 2020. However, compared to the December 31, 2019 total, this was a 9% decrease in market capitalization.

At December 31, 2019, BC’s market capitalization was \$194B. In the first quarter of 2020, BC’s market capitalization decreased 26% to \$144B. By June 30, 2020, the market capitalization of BC-listed companies had rebounded to \$212B (a 9% increase from December 31, 2019).

Canadian-listed companies’ market capitalization by head office and exchange¹³
(2020-\$2.36T; 2019-\$3.04T; 2018-\$2.54T)



The “Other” column in the graph above includes 79 companies that have their head office outside of Canada but have the BCSC as their principal regulator. These companies have a market capitalization of \$7.21B in 2019.

¹³ The y-axis is broken up to capture the full range of market capitalization amounts

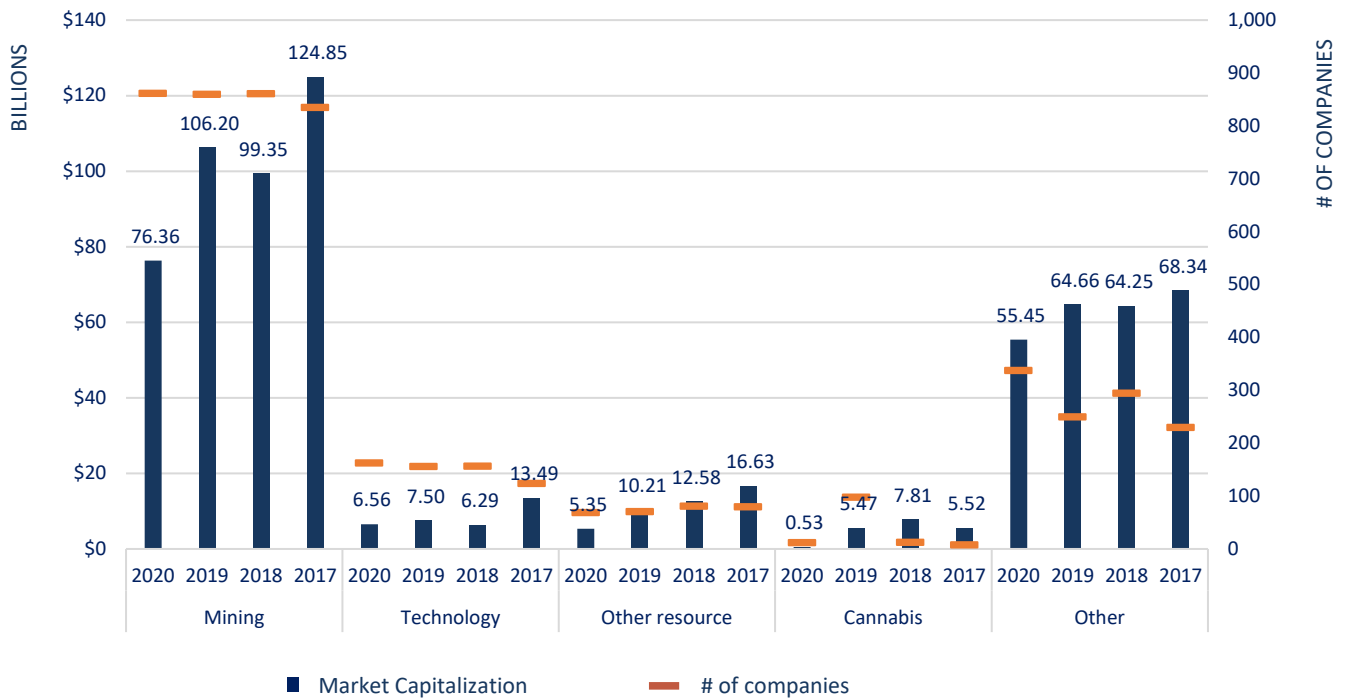
The BCSC is the principal regulator of an additional 310 companies that are not listed on the TSX, TSXV, or CSE.

BC LISTED COMPANIES

Mining continues to be the most prominent listed sector in BC with 60% (2019-60%) of BC listed companies and 53% (2019-55%) of the market capitalization.

BC-based Canadian-listed companies' market capitalization by sector

(2020-\$144.2B 1,423 companies; 2019-\$194.0B 1,423 companies; 2018-\$190.3B 1,358 companies)



BC-based Canadian-listed companies' market capitalization by range



At December 31, 2019, 54% of the BC-listed companies had a market capitalization of \$5 million or less. At March 31, 2020, this figure had increased to 57%. By comparison, at December 31, 2019, 36% of Alberta-listed companies had a market capitalization of \$5 million or less, and 33% of Ontario-listed companies were in that range.

The largest BC companies¹⁴ by market capitalization are:

	Exchange	2020 (\$ billions)	2019 (\$ billions)	2018 (\$ billions)	2017 (\$ billions)
Lululemon Athletica Inc.	NASDAQ	\$33.11	\$40.70	\$22.38	\$14.06
Telus Corporation	TSX	\$28.30	\$30.26	\$27.06	\$28.13
Wheaton Precious Metal Corp.	TSX	\$17.34	\$17.28	\$11.83	\$12.29
Teck Resources Limited	TSX	\$5.86	\$12.48	\$16.89	\$18.96
Goldcorp Inc. ¹⁵	TSX	-	-	\$11.62	\$13.90
Richie Bros. Auctioneers	TSX	\$5.27	\$6.02	\$4.85	\$4.03
First Quantum Minerals Ltd.	TSX	\$4.95	\$9.07	\$7.81	\$7.61
B2B Gold Corp.	TSX	\$4.41	\$5.34	\$3.95	\$3.80
Pan American Silver Corp.	TSX	\$4.25	\$6.45	\$3.06	\$3.00

¹⁴ Including companies listed on foreign marketplaces.

¹⁵ Acquired by Newmont Gold in April 2019.