



British Columbia
Securities Commission

BC Capital Market Report 2018

Version 1.0



ABOUT THIS REPORT

The British Columbia Securities Commission (BCSC) fosters a dynamic and competitive securities industry that provides investment opportunities and access to capital.

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

Companies and investment funds raising capital in Canada do so by selling securities under either:

- a prospectus, or
- an exemption from the prospectus requirement.

If issuers rely on a prospectus, they prepare a detailed disclosure document that accompanies the public offering of their securities. They also must keep their investors informed of their affairs by providing ongoing (continuous) disclosure. They may also choose to list their securities on a stock exchange such as TSX, TSXV, CSE, or NEO². In this report, these companies are referred to as “listed companies.” Companies that did not rely on a prospectus and so do not have a continuous disclosure obligation are referred to as “unlisted 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.

The report analyses are derived from publicly available data and internal records for the 2016, 2017, and 2018 calendar years. Since companies are only required to report certain information to the BCSC, the analyses do not reflect all capital raising in BC. Comparative figures may differ from the amounts reported in the prior years due to amendments and additional information becoming available including information related to BC and non-BC investment funds.

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

² “TSX” is the Toronto Stock Exchange; “TSXV” is the TSX Venture Exchange; “CSE” is the Canadian Securities Exchange; and “NEO” is the Neo Exchange.

HIGHLIGHTS



THE BIG PICTURE

BRITISH COLUMBIA IS A VENTURE CAPITAL MARKET FROM BOTH A COMPANY AND AN INVESTOR POINT OF VIEW

Whether raising funds by Prospectus or in the Private Placement Market, British Columbia has a large number of small-to-medium size companies raising small amounts of funds. Similarly, British Columbia has large number of investors that invest small amounts.

- Capital-raising activity remains strong with \$111B (2017 - \$112B, 2016 - \$94B) raised³
 - Investment funds accounted for two-thirds of activity; while companies accounted for one-third of activity.
- MINING CONTINUES TO BE THE KEY SECTOR IN BC
- The mining sector has 801 companies, with 90% of the amount raised by listed companies
 - Mining is the largest sector amongst BC listed companies with a market capitalization of \$100B.
- WITH THE LEGALIZATION OF CANNABIS IN CANADA THIS SECTOR GREW
- The cannabis sector grew 225% to \$4.5B and now has more than 200 active companies.
- REAL ESTATE CONTINUES TO BE THE LARGEST SECTOR AMONG UNLISTED COMPANIES
- Real estate sector activity grew 25% to \$6B, with 80% raised by unlisted companies.

³ Figures represent the amount raised by BC companies/investment funds globally and the amount raised by non-BC companies/investment funds from BC investors.

HIGHLIGHTS (CONT.)

FOCUS ON BC COMPANIES AND INVESTMENT FUNDS

BC companies and BC investment funds raised over one-third of the total amount raised in the BC Capital Market. The total raised in 2018 was \$37.6B, down modestly (7%) from 2017 which saw a large (38%) increase from \$29.2B in 2016.

- Capital-raising activity by companies increased by 27%
- Mining led all sectors in capital raising with \$4.3B
- The cannabis sector raised \$4.0B in 2018, up 280% from \$1.1B in 2017. The number of BC companies raising money in this sector increased to 124 from 69
- There was a steady rate of capital raising in the real estate sector with \$3.1B.

LISTED COMPANIES

BC IS HOME TO NEARLY HALF OF THE LISTED COMPANIES IN CANADA

There are 3,208 companies listed in Canada of which 1,407 (44%) are located in BC.

- BC's listed company population jumped 130 (10%) to 1,407; higher growth than all other Canadian jurisdictions combined
- Of the 1,407 BC listed-companies, 90% are listed on the venture exchanges (TSXV and CSE). These BC companies represent 52% of companies listed and 38% of the market capitalization on these exchanges
- In terms of market capitalization, BC listed companies represent \$190B, or 7% (2017-\$229B, or 8%) of the total market capitalization of Canadian-listed companies
- The majority of venture exchange listings (TSXV – 51%, CSE – 58%) are BC-based
- Most BC listed companies are small (49% of BC listed), with market capitalization of less than \$5M.

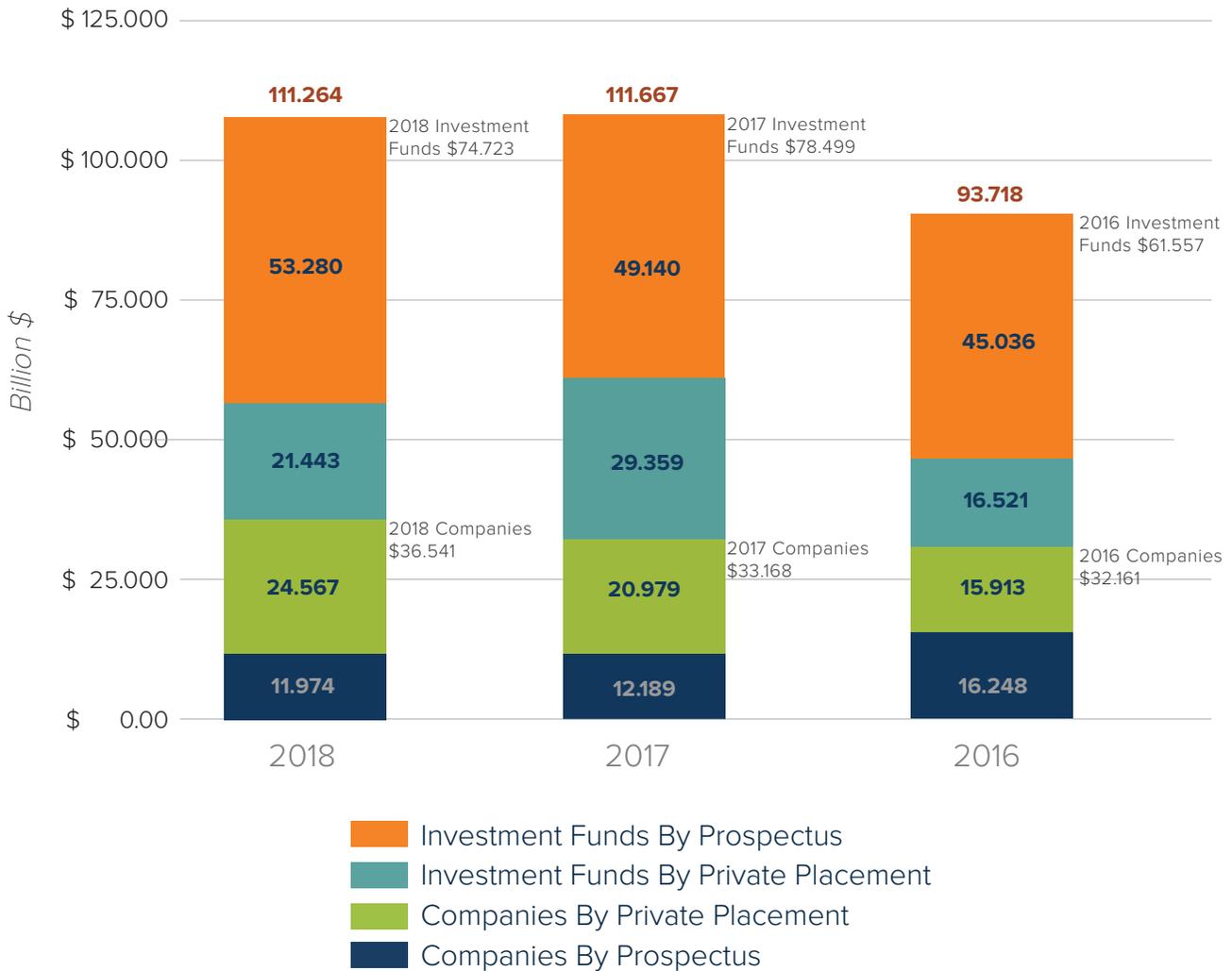
In addition, the BCSC regulates an additional 398 companies, some of which are listed on foreign marketplaces⁴.

⁴Foreign marketplaces include for example the New York Stock Exchange (NYSE), the National Association of Securities Dealers (NASDAQ) and Over The Counter (OTC) Markets

INVESTMENT ACTIVITY REMAINS STEADY

BC's capital market continues to thrive from both a company and an investor point of view.

Total Capital Raised⁵

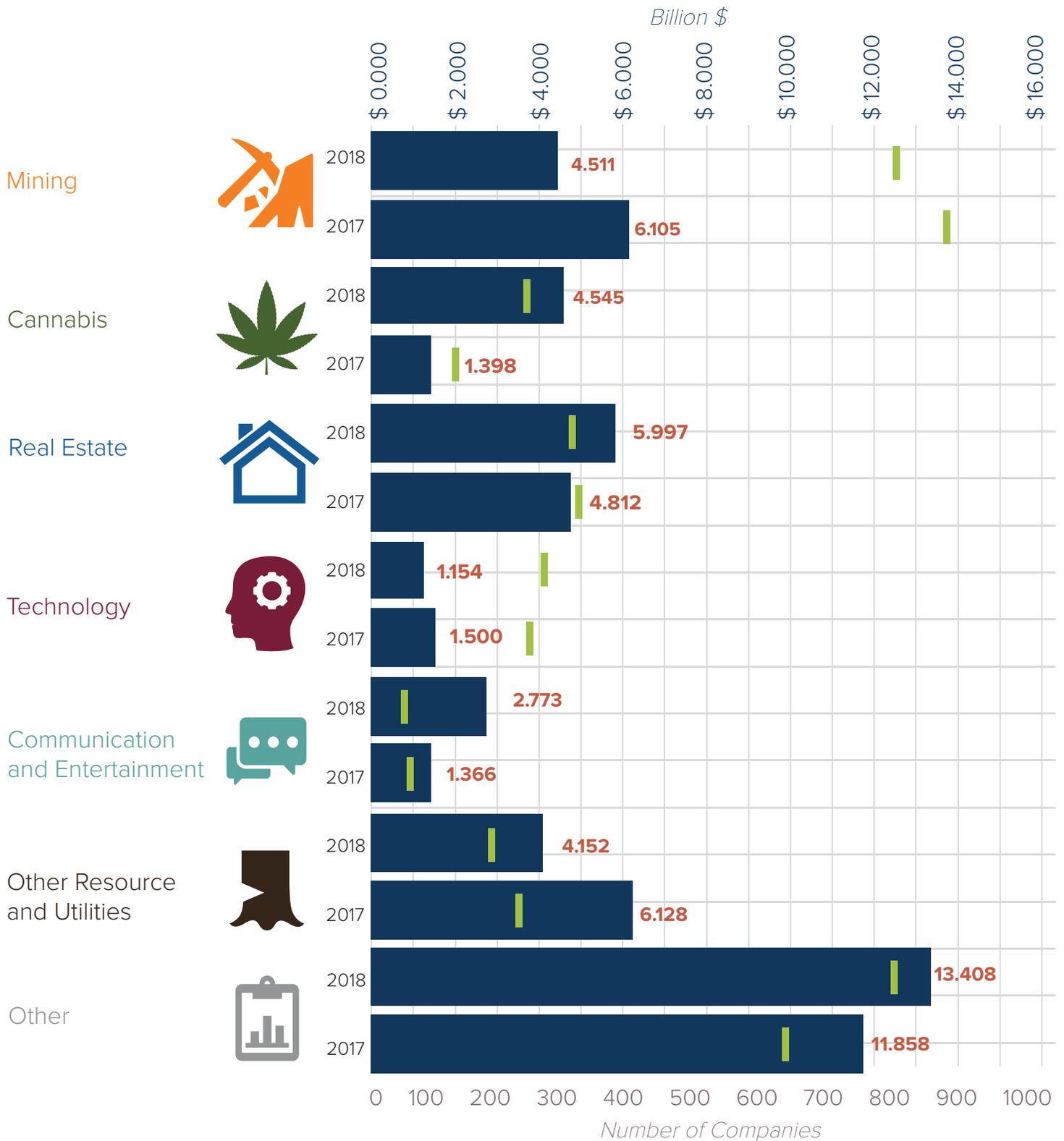


⁵ Figures represent the amount raised by BC companies/investment funds globally and the amount raised by non-BC companies/investment funds from BC investors.

Amounts Raised by Companies by Sector⁶

(2018-\$36.5B 2,603 companies; 2017-\$33.1B 2,445 companies)

■ Amount Raised
■ Number of Companies



⁶The communication and entertainment sector increased to \$2.773B in 2018 from \$1.366B in 2017 due to Telus Corporation, a BC Listed company, raising \$1.725B in 2018 versus \$0.650B in 2017.

INVESTMENT ACTIVITY REMAINS STEADY (CONT.)

MINING CONTINUES TO BE A KEY INDUSTRY

Mining continues to be an important capital-raising sector in BC, involving 801 companies from inside and outside the province that raised \$4.5B, a 26% decrease compared to 2017. Ninety percent (90%) of the amount raised was by listed companies. The three largest financings were completed by Lundin Gold Inc. (\$557M), First Majestic Silver Corp. (\$382M) and Conuma Coal Resources Ltd. (\$257M).

CANNABIS SECTOR EMERGING

With the legalization of cannabis in Canada and more permissive legal frameworks globally, this sector raised \$4.5B (2017-\$1.4B) – a 225% increase compared to 2017. The number of companies raising money in the sector increased from 123 to 221. The three largest financings were completed by Curaleaf Holdings Inc. (\$520M), Acreage Holdings, Inc. (\$416M) and Harvest Health & Recreation Inc. (\$288M).

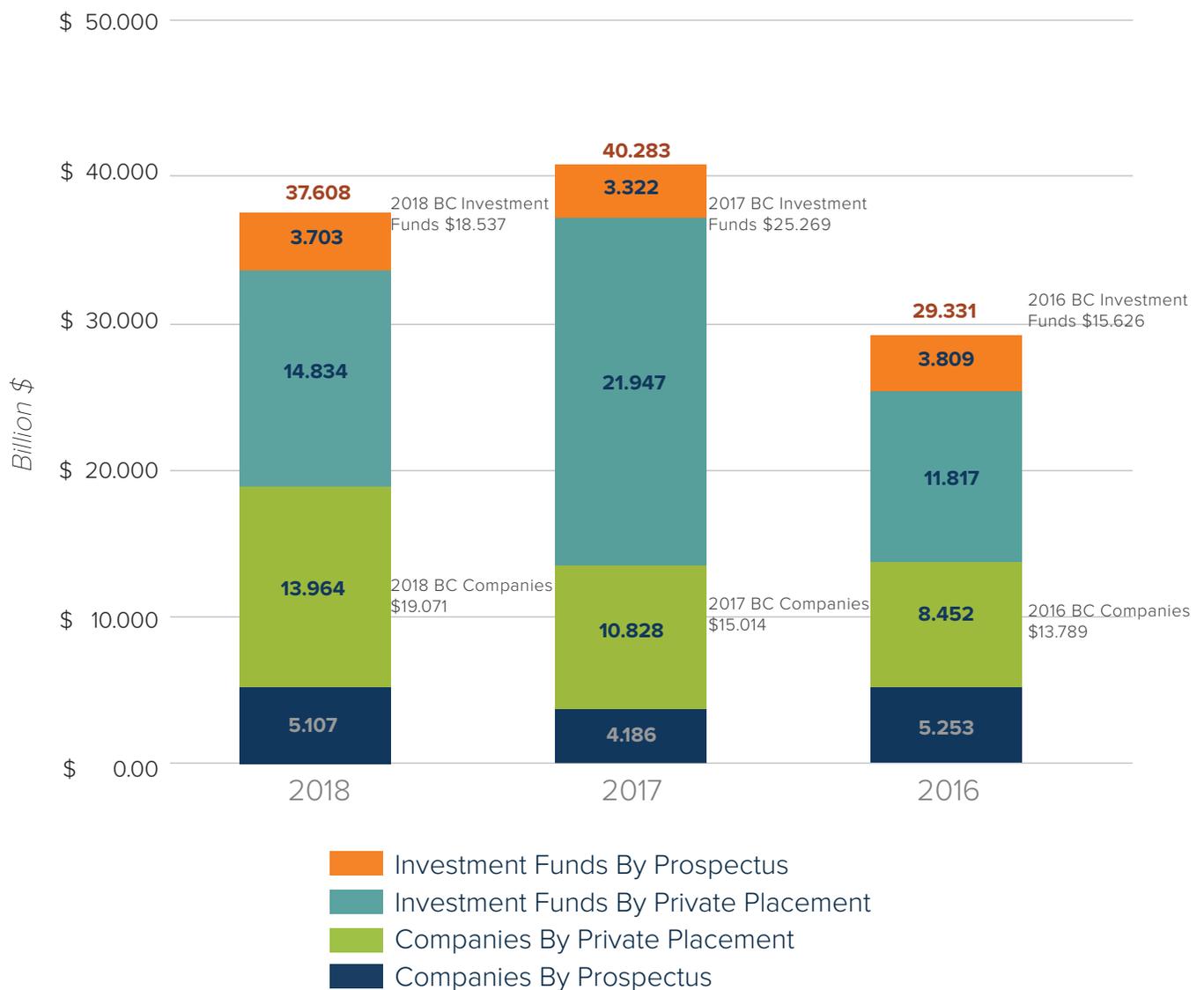
REAL ESTATE IS THE MOST ACTIVE UNLISTED SECTOR

The amount raised by the real estate sector increased to just under \$6B in 2018 from \$4.8B in 2017 – a 25% increase compared to the year previous. It continues to be the most active sector among unlisted companies – 80% of the amount raised was by unlisted companies.

BC COMPANIES AND BC INVESTMENT FUNDS

BC companies and BC investment funds raised 34% of the total amount raised in the BC Capital Market. The total raised in 2018 was \$37.6B, down modestly (7%) after a large (38%) increase in 2017 from \$29.2B in 2016.

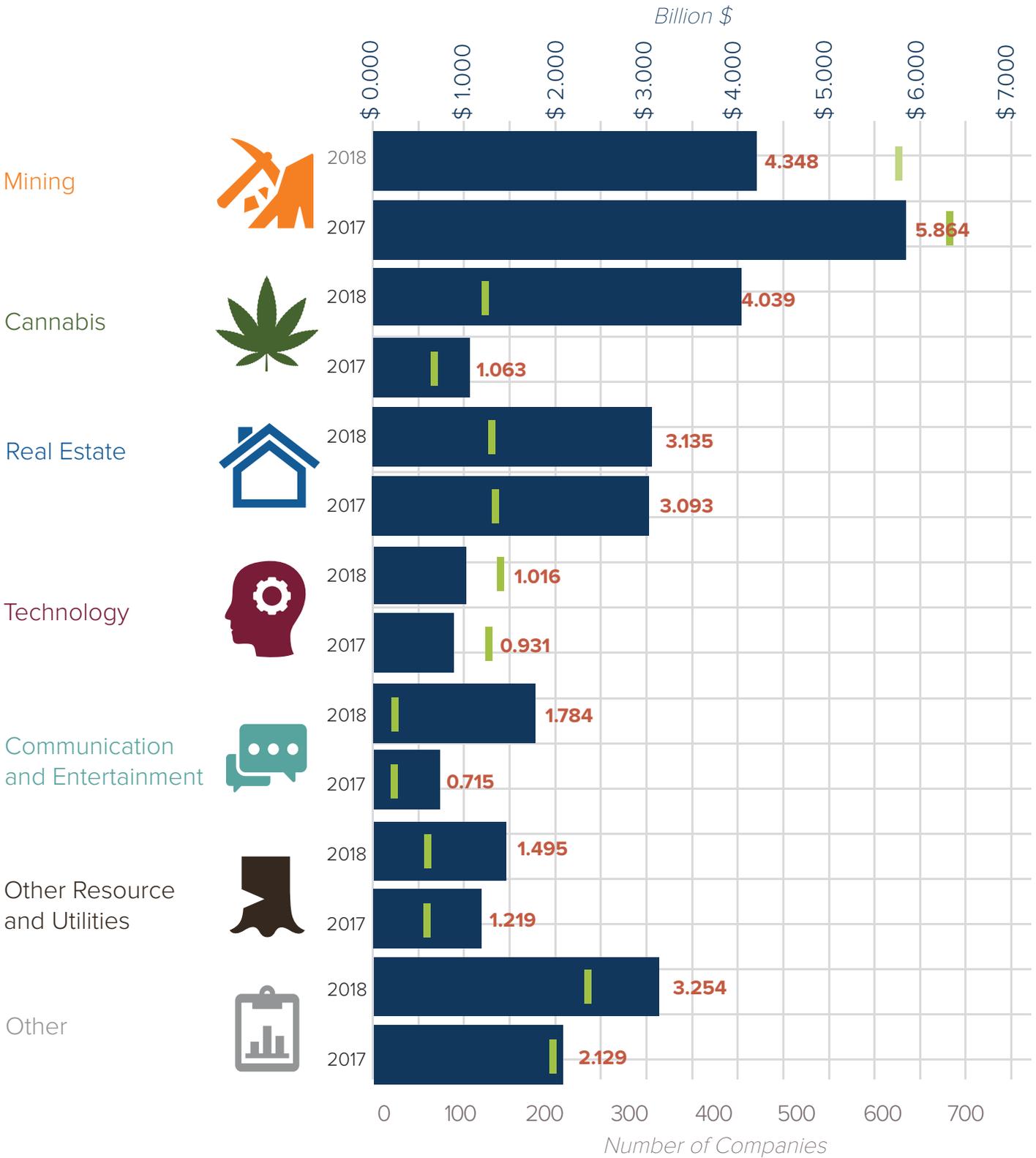
Amount Raised by BC Companies and BC Investment Funds



Amounts raised by BC companies by sector

(2018-\$19.0B 1,310 companies; 2017-\$15.0B 1,269 companies)

■ Amount Raised
■ Number of Companies



BC COMPANIES AND BC INVESTMENT FUNDS (CONT.)

Last year, capital raising by companies increased by 27%, after growing 9% in 2017.

Even with a 26% decrease in the amount raised in 2018, mining remains the most active sector for capital raising in BC. Last year, 592 BC mining companies (2017-647) raised \$4.3B (2017-\$5.9B).

The cannabis sector came in a close second with \$4.0B raised in 2018, up 280% from \$1.1B in 2017. The number of BC companies raising money in this sector increased to 124 from 69. The increase in the amount raised was mainly due to twelve (12) unlisted BC companies raising \$2.1B (53% of total capital raised in the cannabis sector) before listing on a stock exchange. The three largest financings were done by Curaleaf Holdings Inc. (\$520M), Acreage Holdings, Inc. (\$416M) and Harvest Health & Recreation Inc. (\$288M).



BC REAL ESTATE COMPANIES



There was a 1% increase in real estate sector capital raising to \$3.1B. Unlisted companies accounted for 97% of the amount raised, making real estate the most active capital-raising sector among unlisted companies. In 2017, unlisted companies accounted for \$2.3B or 75% of the total amount raised in the sector.

Amounts Raised⁷ by BC companies in the Real Estate Sector



⁷Mortgage 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

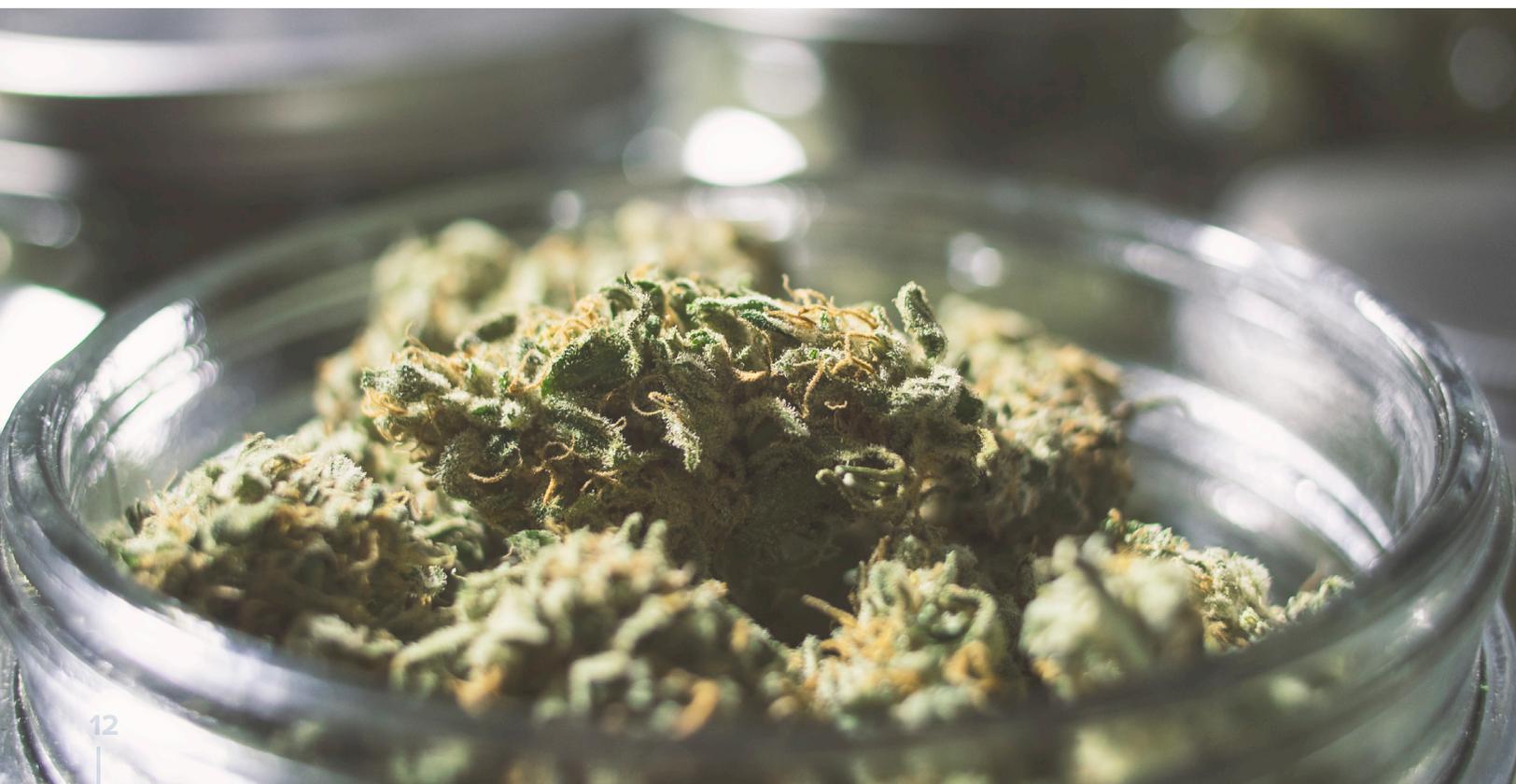
CAPITAL RAISED BY PROSPECTUS

(TOTALS: 2018 - \$12.0B; 2017 - \$12.2B)

The amount raised by prospectus (whether BC-based or not) decreased 2% from 2017.

Cannabis overtook mining in capital raising by prospectus with \$1.2B – a 730% increase from the amount raised in 2017. Five BC cannabis companies were responsible for \$806M (70%) of the amount raised in this sector, including Tilray, Inc. (\$202M), Aurora Cannabis Inc. (\$200M), and Green Thumb Industries Inc. (\$182M).

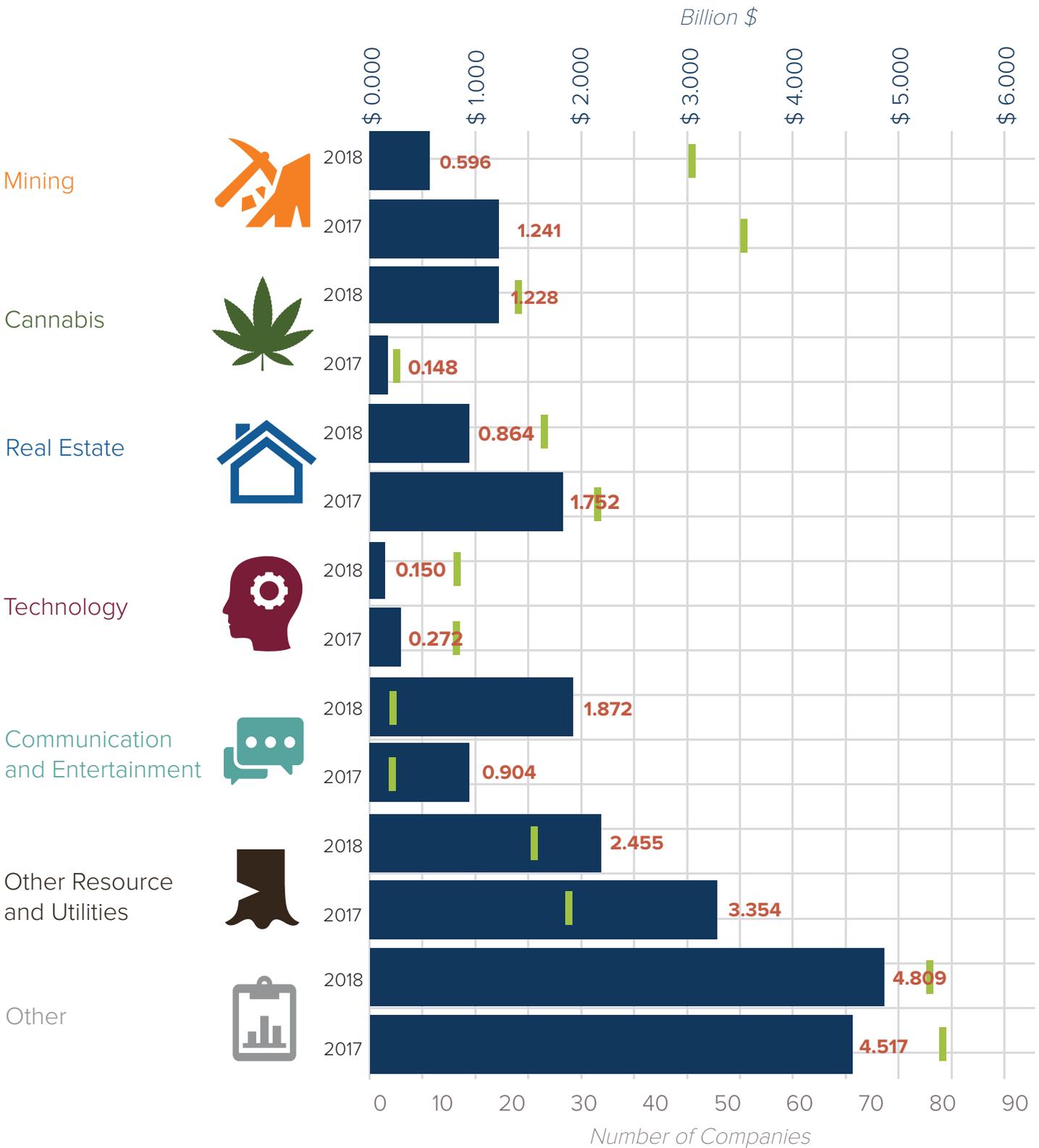
The communication and entertainment sector increased due to Telus Corporation, a BC Listed company, raising \$1.7B in 2018.



Amount Raised by Companies under a Prospectus by Sector

(2018-\$12.0B 209 companies; 2017-\$12.2B 213 companies)

■ Amount Raised
■ Number of Companies



CAPITAL RAISED BY PRIVATE PLACEMENT

(TOTALS: 2018 - \$24.6B; 2017 - \$21.0B)

Companies and investment funds (whether BC-based or not) can sell their securities to certain investors under exemptions from the prospectus requirements (also known as ‘private placements’). In 2018, the amount raised by private placement increased 17% to \$24.6B as compared to the previous year due primarily to capital-raising increases in the real estate and cannabis sectors offsetting a decrease in the mining sector.

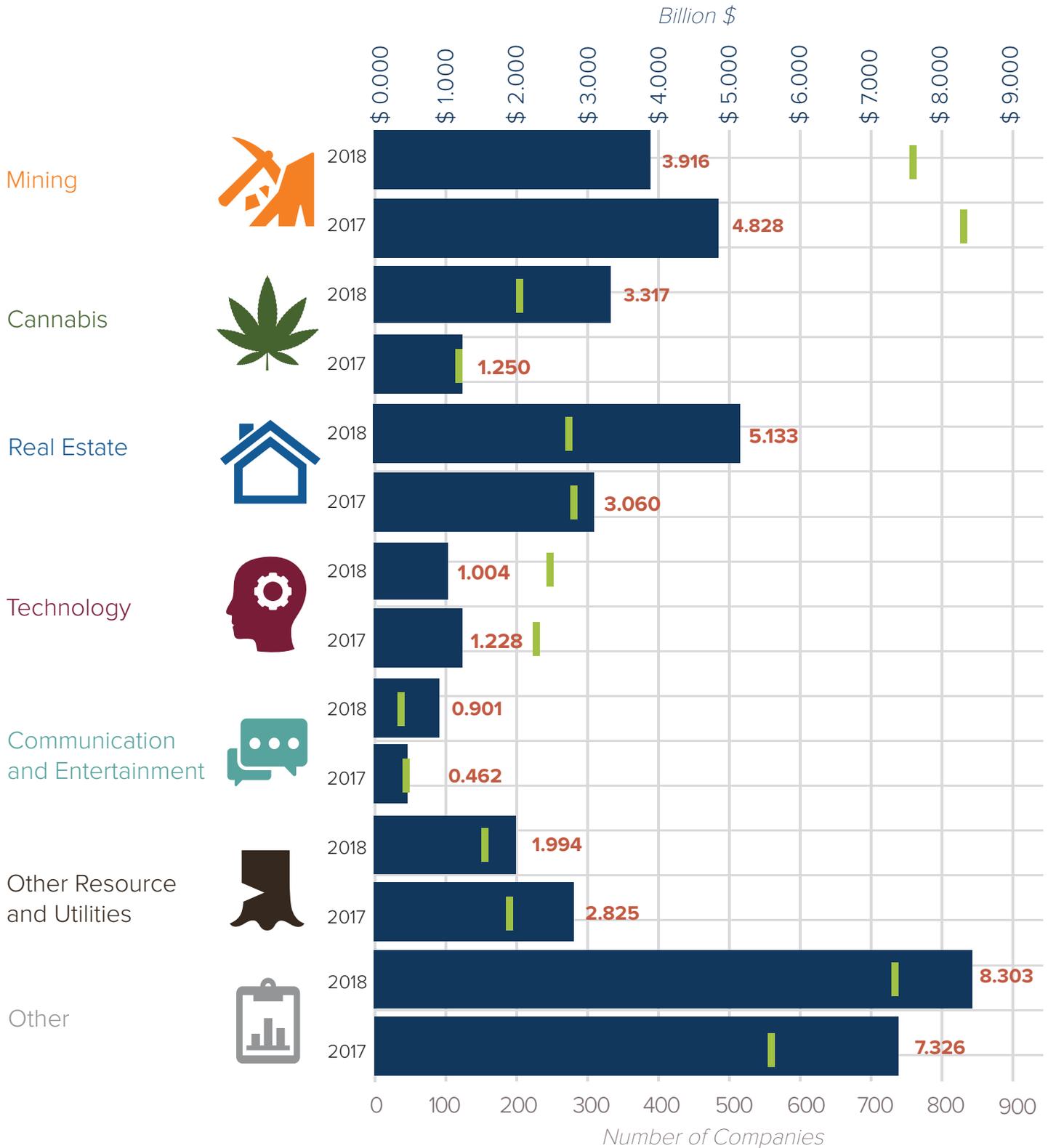
Overall, real estate overtook mining as the industry that raised the most by private placement with \$5.1B (2017-\$3.1B) representing 21% of the private placement market, a 68% increase from the amount raised in 2017.



Amount Raised by Companies under Private Placement by Sector

(2018-\$24.6B 2,406 companies; 2017-\$21.0B 2,242 companies)

■ Amount Raised
■ Number of Companies



LISTED COMPANIES



LISTED COMPANIES MARKET INFORMATION

The following analyses summarize the companies listed on three Canadian exchanges (TSX, TSXV, and CSE). The analyses do not include investment funds like exchange traded funds (ETFs) and mutual funds⁸ and the companies that are only listed on foreign marketplaces.

NUMBER OF LISTED COMPANIES BY HEAD OFFICE AND EXCHANGE

There were 3,208 listed companies, a 236 or 8% increase in the number of companies as compared to 2017.

BC companies represented 44% of all listed companies, 51% of the TSXV listed companies, 58% of the CSE listed companies, and 18% of the TSX listed companies. The next largest jurisdiction by number of listed companies is Ontario with 26% of all listed companies, 22% of the TSXV listed companies, 26% of the CSE listed companies, and 37% of the TSX listed companies.

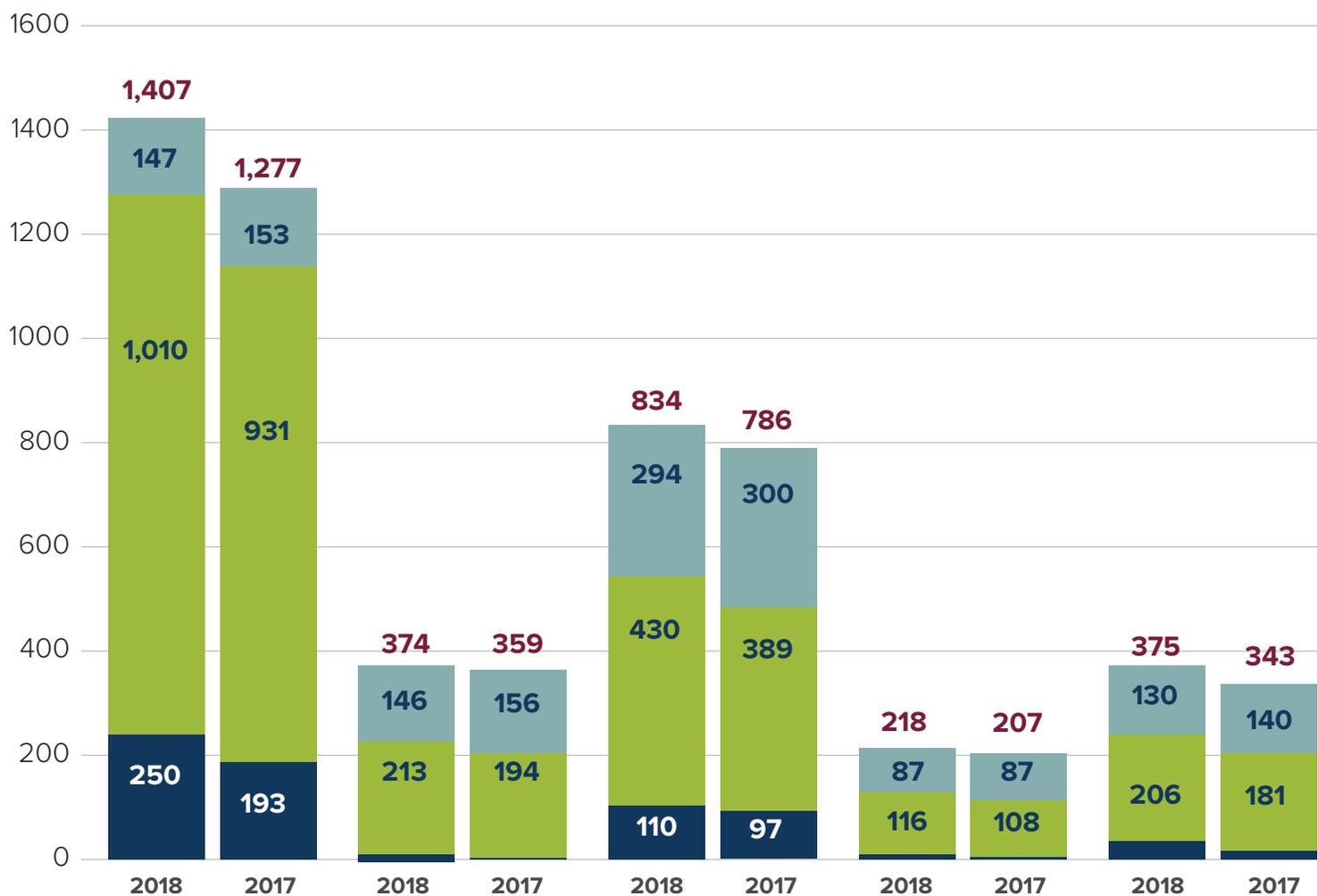
The number of BC listed companies jumped 10% in 2018 to 1,407—the highest growth in Canada.

⁸ There were 719 (2017-665) investment funds (with a market capitalization of \$169.6B (2017-\$166.8B) listed on the TSX, none of which are located in BC.

Number of Listed Companies by Head Office and Exchange

(2018-3,208 companies; 2017-2,972 companies)

CSE TSX-V TSX



Other

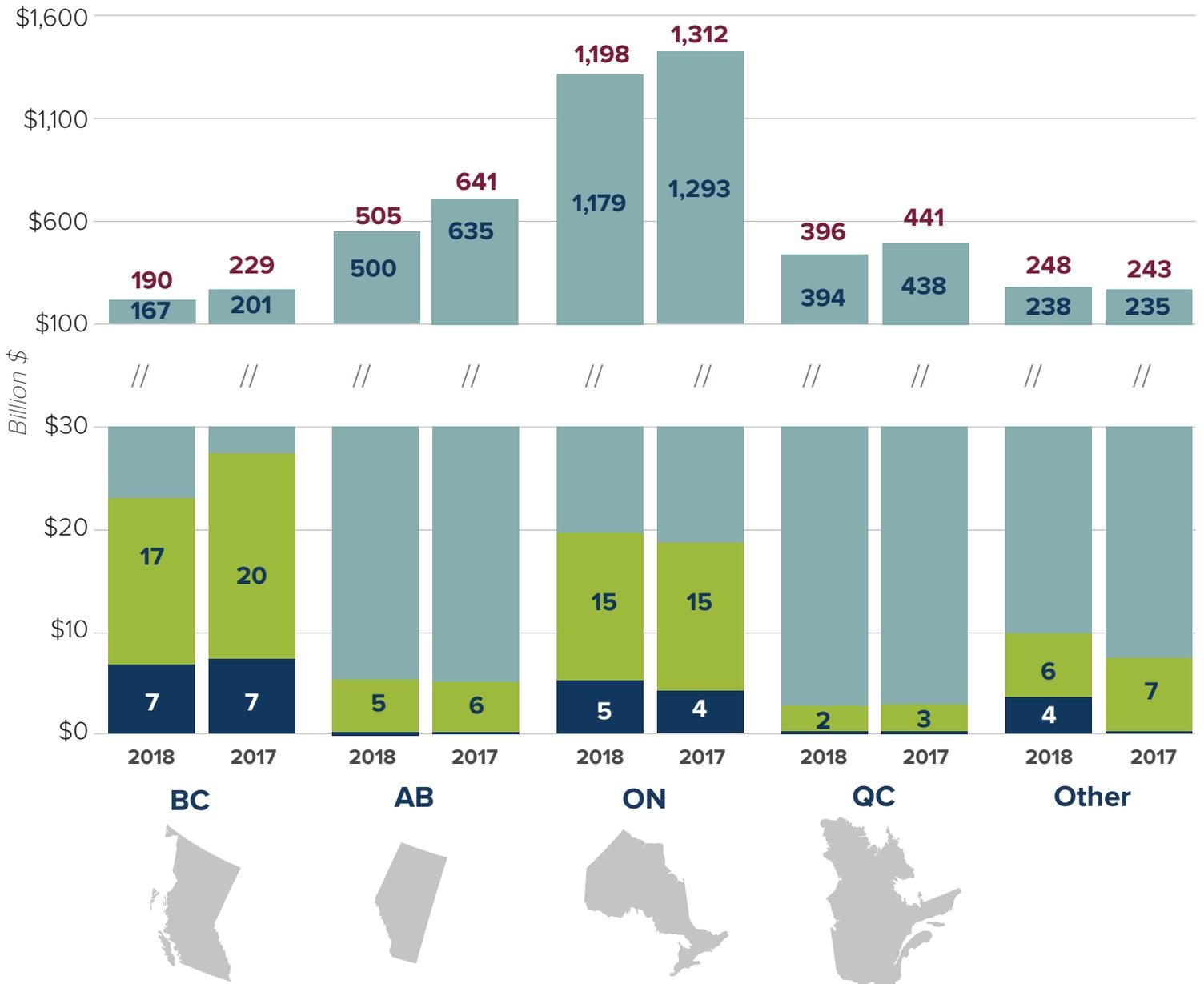
MARKET CAPITALIZATION BY HEAD OFFICE AND EXCHANGE

Canada's overall market capitalization decreased 11% to \$2.5T when compared to 2017 (\$2.9T), due to a global market downturn in December 2018.

Number of Listed Companies by Head Office and Exchange

(2018-\$2.5T; 2017-\$2.9T)

CSE TSX-V TSX



BC LISTED COMPANIES



THE CANADIAN MARKET CAPITALIZATION OF BC LISTED COMPANIES⁹ WAS THE FOLLOWING:

- Overall – \$190.3B (2017-\$228.8B) representing 7% (2017-8%) of the total Canadian market capitalization
- TSX – \$166.9B (2017-\$201.3B) representing 7% (2017-7%) of the total TSX market capitalization
- TSXV – \$16.6B (2017-\$20.5B) representing 37% (2017-40%) of the total TSXV market capitalization
- CSE – \$6.8B (2017-\$7.1B) representing 43% (2017-58%) of the total CSE market capitalization.

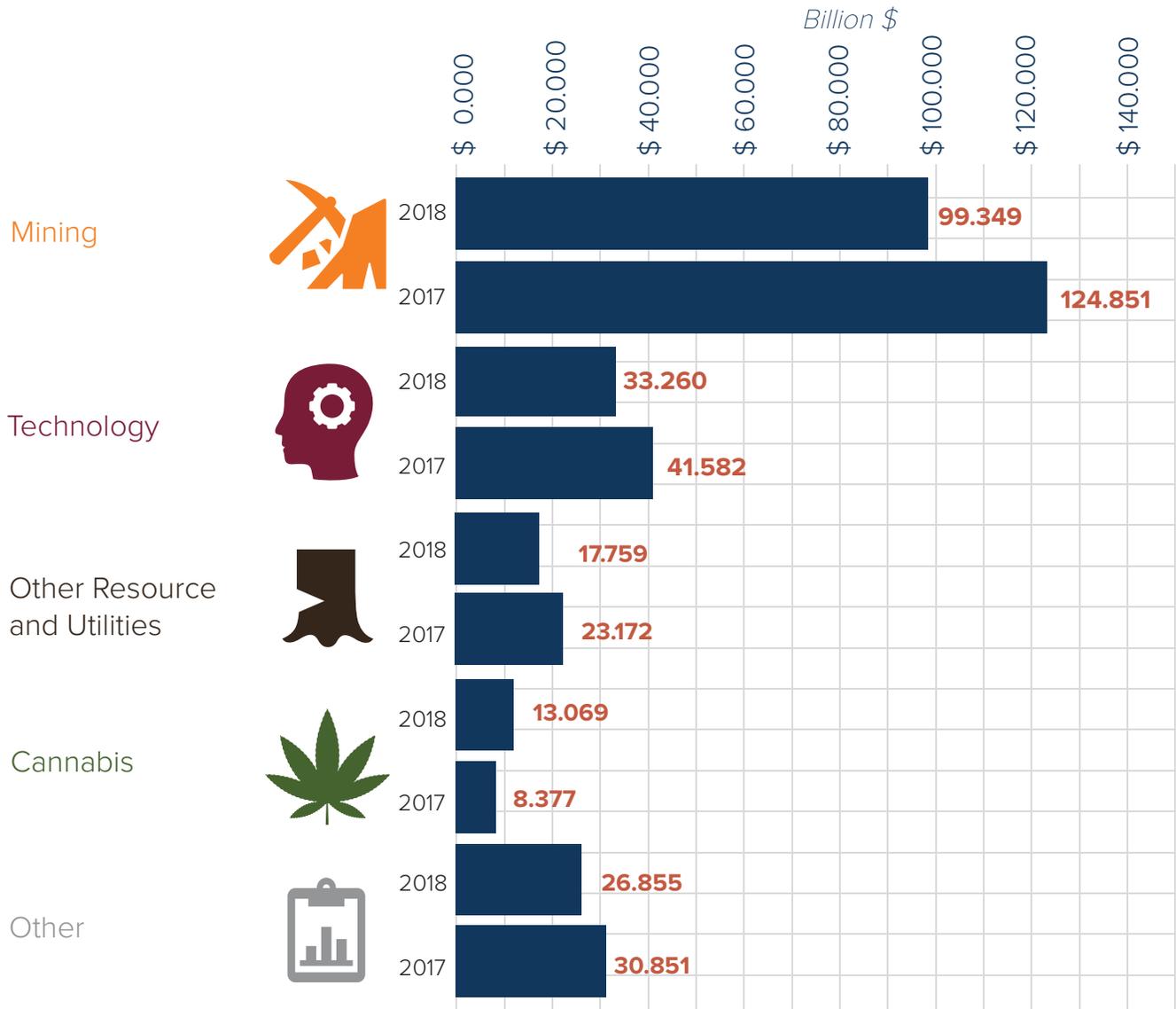
While technology and cannabis companies are gaining ground, mining continues to be the most prominent sector in BC with 61% of BC-listed companies and 52% of their total market capitalization.

⁹The analysis does not include BC-based but foreign-listed companies such as NASDAQ listed Lululemon Athletica Inc. (2018-\$22.4B; 2017-\$14.1B) and Tilray, Inc. (2018-\$8.7B; 2017 - nil) and NYSE listed Lions Gate Entertainment Corp. (2018-\$4.1B; 2017-\$8.5B)

BC Listed Companies' Market Capitalization by Sector

(2018-\$190.3B 1,407 companies; 2017-\$228.9B 1,277 companies)

Market Capitalization



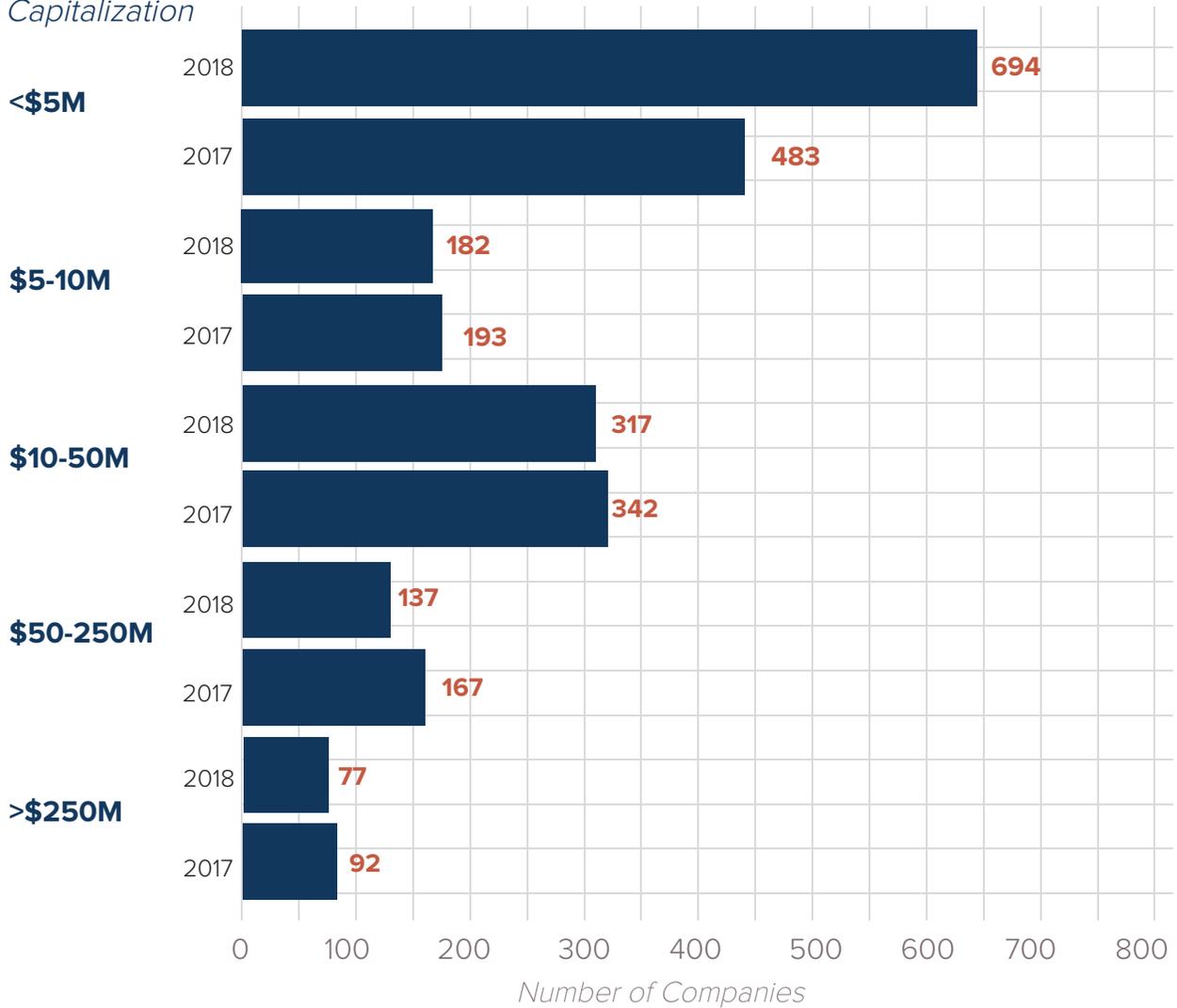
BC LISTED COMPANIES (CONT.)

BC Listed Companies' Market Capitalization¹⁰

Market Capitalization

(2018-\$190.3B 1,407 companies; 2017-\$228.9B 1,277 companies)

Market Capitalization



In 2018, nearly half (49%) of the BC listed companies had a market capitalization of \$5M or less as compared to 38% in 2017. In comparison, only 37% (2017-26%) of the Alberta listed companies and 30% (2017-24%) of the Ontario listed companies had a market capitalization of \$5M or less.

¹⁰Excluding companies listed on foreign marketplaces.

BC LISTED COMPANIES (CONT.)

The five largest BC companies¹¹ by market capitalization are:

| | Exchange | 2018 | 2017 |
|-------------------------------------|-----------------|-------------|-------------|
| Telus Corporation | TSX | \$27.1B | \$28.1B |
| Lululemon Athletica Inc. | NASDAQ | \$22.4B | \$14.1B |
| Teck Resources Limited | TSX | \$16.9B | \$19.0B |
| Wheaton Precious Metal Corp. | TSX | \$11.8B | \$12.3B |
| Goldcorp Inc. ¹² | TSX | \$11.6B | \$13.9B |

¹¹ Including companies listed on foreign marketplaces.

¹² Goldcorp Inc. delisted from the TSX in April 2019 after it was acquired by Newmont Mining.



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