

Venture capital investment slips again in Q3

By Krystle Chow, Ottawa Business Journal Staff

Wed, Oct 24, 2007 12:00 PM EST

Venture capital investment in Ottawa-area companies fell again in the third quarter after a rebound in the previous period, according to the latest release by the Ottawa Centre for Research and Innovation.

The report said that total disclosed funding for the region fell by 72.8 per cent year-over-year to US\$23.2 million, with a total of three disclosed deals for the quarter. In the third quarter of 2006, five Ottawa companies received a total of \$85.3 million in venture capital financing.

The numbers were also significantly lower than in the second quarter of 2007, when five companies received venture capital totalling \$68.9 million.



"We are very concerned about the low levels of VC investment in the region," said OCRI chief executive Jeffrey Dale in a statement. "Q3 is a continuation of the downward trend we have seen over the last 18 months. The challenge is to determine how we reverse this trend; Ottawa has a wealth of companies looking for investment."

To-date, the region has received \$100.05 million in VC financing in nine disclosed deals, down 44.3 per cent from the comparable nine-month period last year. The report noted that trailing 12-month investment levels have fallen to \$185 million, 29 per cent lower than the post-2003 average.

"The state of venture capital in Ottawa is a tale of two stories," said Celtic House Venture Partners managing partner Andrew Waitman. "On the one hand, there is currently a bull market in technology, the Nasdaq hitting 2,800 and startups with great products like Diablo, dna13 and Third Brigade are experiencing gut-wrenching growth. On the other hand, cash available for new and very early-stage companies is very difficult to come by. This funding scarcity will improve only when we have a few high-profile and valuable exits in the region which will hopefully be soon."

The largest disclosed deal in the third quarter was for BTI Systems Inc., which received \$12.7 million. Ethernet traffic engineering solutions company Gridpoint Systems and marketing software maker Pinpoint Selling rounded out the list of investments, receiving \$8 million and \$2.5 million respectively.