

# Venture Forward:

ACCELERATING THE EVOLUTION OF  
CANADA'S PUBLIC VENTURE MARKET





Small and medium-sized enterprises (SMEs) have a well-earned reputation for leading breakthrough innovation across industries and driving economic growth around the world. For TSX Venture Exchange, ensuring entrepreneurs have continuous, cost-efficient access to capital raising opportunities is a critical component of a strong, vibrant venture economy and a core responsibility as Canadian companies look to compete further on the global stage.

Canada's public venture ecosystem is recognized as a global leader in funding the growth ambitions of entrepreneurs and early-stage companies across a range of sectors. This ecosystem has helped support a number of Canada's most recognizable companies through their foundational stages, including nearly 1 in 4 constituents of the S&P/TSX Composite Index\* (as of December 31, 2021).

Each element of Canada's ecosystem plays an important role in fostering the success of thousands of businesses, supporting the pursuit of their strategic objectives, helping to create thousands of jobs, and generating economic prosperity in the communities in which they operate.

In 2021 alone, Canada's public venture market reached new highs in raising over \$11 billion in equity capital funding through more than 1,800 financings by small and medium-sized public companies<sup>1</sup>. As of 2020, SMEs in Canada employed 88.3% of the total private labour force and accounted for more than 50% of national GDP<sup>2</sup>.

TSX Venture Exchange is proud to play a central role in Canada's public venture market and to serve the needs of our sophisticated, vibrant and interconnected ecosystem of entrepreneurs, investors, financiers, lawyers, advisors, industry professionals and regulators in Canada and around the world. We are all committed to the success of early-stage companies.

While Canada's public venture market has delivered on its promise of growth over the last several decades, markets are not static. TSX Venture Exchange is focused on identifying and seizing opportunities to build from our position of strength to ensure that Canada's public venture market remains a critical driver of economic prosperity, and maintaining our competitive edge on the global stage.

\*Refer to the disclaimer on page 10 for the S&P/TSX Composite Index

<sup>1</sup> Source: TSX/TSXV Market Intelligence Group. All data as of December 31, 2021.

<sup>2</sup> Source: "Key Small Business Statistics 2021", Innovation, Science and Economic Development Canada, Government of Canada, [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03147.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03147.html) (Accessed on June 14, 2022).



How can our ecosystem and its participants ensure Canada's public venture market remains the preferred channel for early-stage companies seeking cost-effective access to capital?



How can the public venture market address the current and emerging challenges facing early-stage companies?



**How can we collectively make Canada's public venture market better?**

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Answering these questions requires thoughtful discussion and meaningful collaboration to ensure Canada maintains its reputation and competitiveness globally as a strong and vital venture ecosystem. Over the coming months, we aim to engage with representatives from across our stakeholder community to gain a full understanding of how our markets can better support early-stage companies. As we embark together on this journey, we will also share progress updates and our plans.



# Venturing Forward with Canada's Public Venture Market

Over the last decade, as the face of Canada's markets evolved, and new paradigms and sectors were defined and took hold, the public venture ecosystem performed well with record-breaking fundraising and market capitalization. At the same time, modern public companies continue to experience the advent of new funding models, the blurring of lines between public and private markets, and additional regulatory complexity. At TSX Venture Exchange, we understand that the pace of change has never been greater, and successfully competing in this ever-evolving landscape requires continuous reinvention and agility.

The purpose of this white paper is to outline three broad areas where TSX Venture Exchange and the Canadian public venture ecosystem can take action to innovate, adapt and evolve over the coming years.

As we chart our course for the near and long-term future, we want to hear from issuers, investors and market stakeholders in Canada's public venture community on how we can:

1

## REDUCE

barriers and burdens to access public venture capital

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2

## EXPAND

the global base of investors and capital that support and finance issuers

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3

## GROW

empower and strengthen the public venture capital ecosystem and its participants

In keeping with our corporate purpose, TSX Venture Exchange and Toronto Stock Exchange are committed to making markets better and empowering bold ideas. We believe it is vital to push the evolution of Canada's public venture market to ensure it remains the world's leading ecosystem for launching early-stage companies and funding their growth.

While we pledge to do all we can to make our markets better, we do not pretend to have all of the answers.

# REDUCE

## Reduce Barriers and Burdens

Canada's public venture market has created an efficient and flexible approach to raising capital and going public. However, many early-stage companies struggle to manage the considerable and sometimes outsized regulatory and administrative requirements of running a public company. We believe that there are opportunities to reduce this complexity while maintaining high standards of market integrity.

How can regulation adapt to the unique structure and size of early-stage public companies? How can increased collaboration with regulators, governments, industry bodies and other stakeholders simplify and streamline rules and requirements for these companies? What bold ideas are required to reduce complexity and facilitate more efficient access to capital?

# EXPAND

## Expand Base of Investors

The consolidation of the securities industry and the shift from transactional to wealth management services has changed the retail investor landscape. At the same time, the rise of self-service electronic trading and discount investing platforms coupled with the impact of social media has introduced a new demographic of investors to all platforms and venues, including the public venture market.

How can TSX Venture Exchange and ecosystem stakeholders support early-stage companies in increasing their visibility and profile among investors? How can public venture market participants work with regulators to ensure that material information shared by companies online complies with securities law and safe harbour provisions? How can we ensure that investors have access to equity research on small innovative and high-growth companies?

# GROW

## Grow, Empower and Strengthen the Ecosystem

Canada's unique and thriving public venture ecosystem has a long history of providing cost-effective access to equity capital to help early-stage companies. This in turn helps them improve productivity, capture growth, boost innovation and create jobs in local communities. However, certain government policies, regulatory initiatives, and industry trends have challenged the long-term stability and viability of this ecosystem. This has also resulted in the gradual erosion of the availability of expert support.

What initiatives can be introduced to grow, empower and strengthen the public venture ecosystem for all participants into the future? How can Canada's public venture market advocate for fair access to tax and incentive programs for both public and private companies? Are there regulatory reforms that may incentivize banking stakeholders and level the playing field to support and finance these companies?

# #FAIRNESS4GROWTH

## CHAMPIONING CHANGE FOR CANADA'S GROWTH-STAGE COMPANIES

Federal fiscal policies aimed at supporting small business can actually be a powerful disincentive for early-stage companies to choose the public venture market as a growth channel. This is because simply by going public companies of any size stand to lose certain supports.

We believe that Canadian public companies – two-thirds of whom are SMEs\* – should be eligible for the same government support as privately-controlled companies of comparable size and maturity. It is therefore essential that governments understand both the nature of early-stage companies and the contributions that Canada's public venture market makes to economic prosperity and reflect these realities in public policy.

TMX Group remains a committed, active advocate for the development of new programs and fiscal measures to enable the enduring success of Canada's public markets and the companies, employees and communities they support.

\*Source: TSX/TSXV Market Intelligence Group and S&P Capital IQ



# Share Your Thoughts

## ON THE EVOLUTION OF CANADA'S PUBLIC VENTURE MARKET

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We have launched this multi-phased program to gather valuable feedback and insights, and ultimately to generate ideas on how we can collectively reduce barriers and burdens, expand investment, and grow, empower and strengthen the ecosystem for growth and resilience.

As we venture forward, we issue an open invitation to all participants to engage with this initiative and join our effort to make Canada's public venture market better.

Please [sign up here](#) to register your interest in surveys and our requests for consultation. We will also share additional information and progress updates as we venture forward over the next few months.



# TSX Venture Exchange and Canada's Public Venture Market

TSX Venture Exchange is proud to work with stakeholders from around the world that share our commitment to the success of early-stage public companies and helping them realize their long-term goals. In 2021, the 1,700+ companies listed on TSX Venture Exchange exceeded \$100 billion in aggregate market capitalization and raised over \$11 billion in equity financing.

TSX Venture Exchange's impact since 2010:

**\$77 BILLION**

IN EQUITY  
CAPITAL RAISED

**23,000+**

EQUITY  
FINANCINGS COMPLETED

**2,100+**

UNIQUE  
NEW LISTINGS

**284 COMPANIES**

GRADUATED TO CANADA'S SENIOR MARKET,  
TORONTO STOCK EXCHANGE

**21%**

OF S&P/TSX COMPOSITE INDEX  
CONSTITUENTS ARE GRADUATES

Source: TMX Market Intelligence Group. All data as of December 31, 2021.

# For more information

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