

JULY 2020

# The Alberta Capital Market

A|S|C  
Alberta Securities Commission



## TABLE OF CONTENTS

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Executive Summary	1
Listed Issuer Markets	6
Listed reporting issuers	6
Foreign reporting issuers	15
Focus on listed reporting issuers principally regulated in Alberta	17
Reported Financings by Alberta Issuers	21
Prospectus Markets in Alberta	24
Prospectus-Exempt Markets	26
Issuers in the prospectus-exempt market	26
Prospectus-exempt financings by Alberta issuers	28
Investments in the prospectus-exempt market by Albertans	34
Registration	40
Energy Markets	42
Appendix: Methodology	43
Listed issuer markets	43
Prospectus financings	48
Contact Information	49



Each year the ASC issues four reports to provide timely and relevant information for market participants and reporting issuers: the annual report, the Alberta capital market report, the oil and gas review report and the corporate finance disclosure report. These reports can be found on [albertasecurities.com](http://albertasecurities.com).

## Executive Summary

### ABOUT THIS REPORT

The Alberta Capital Market Report is an annual publication by the Alberta Securities Commission (ASC) that provides a descriptive analysis of the Alberta capital market in relation to other major Canadian capital markets. The report offers market context for ASC staff, market participants, and the general public. The report draws on information from ASC records, the TMX Group Limited (TMX), Intercontinental Exchange, Inc. (ICE), the System of Electronic Document Analysis and Retrieval (SEDAR), and Bloomberg Finance L.P. (a financial information service). Combining these sources allows for the analysis of:

- all listed reporting issuers<sup>1</sup> (RIs) on the basis of principal regulator<sup>2</sup> (PR);
- prospectus and prospectus-exempt financings;
- the Alberta registrant community; and
- energy commodity contracts transacted in Alberta.

The Appendix outlines the methodology used to assemble the combined data of reporting issuers. Data is presented in this report as of December 31, or as an annual total or average, unless otherwise noted.

### Alberta Issuers

Chart 1 shows the number of active Alberta PR reporting issuers listed on an exchange, which would be considered by many investors to be the "public market." At the end of 2019, the ASC had primary regulatory responsibility for 401 such issuers, which was 4.8 per cent fewer than a year earlier and continues an adverse trend in the province which over the past four years totals 24 per cent.<sup>3</sup>

The decline in the number of Alberta issuers has also been significant for non-reporting issuers, also shown in Chart 1. The issuers counted as non-reporting (and unlisted) are those issuers headquartered in Alberta that actively raised capital under an available prospectus exemption during the year. Many

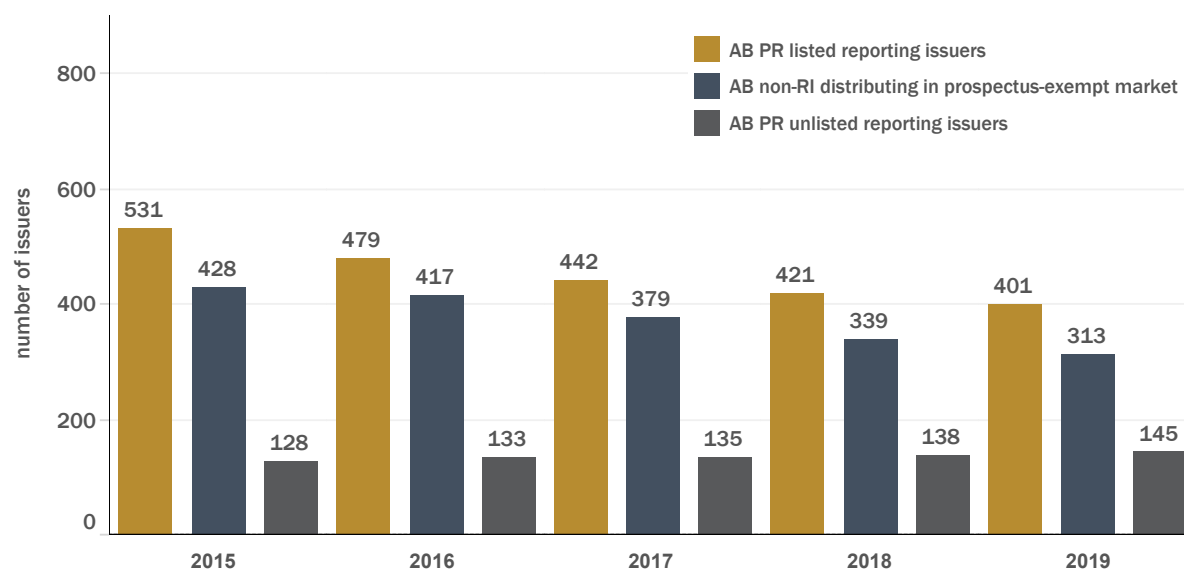
<sup>1</sup> References in this report to reporting issuers means reporting issuers that report in Alberta. There are several ways that an issuer may be a "reporting issuer" as defined in the *Securities Act* (Alberta), under section 1 (ccc). Reporting issuers are not required to have listed securities, although reporting issuers typically do have one or more securities listed on at least one exchange. In addition, issuers are not required to report in all jurisdictions.

<sup>2</sup> An issuer's "principal regulator" is the securities regulatory authority or regulator as determined in Multilateral Instrument 11-102 *Passport System*. Most often an issuer's PR is the securities regulatory authority or regulator of the province or territory in which the issuer has its head office (or for investment funds in which the investment fund manager has its head office), or to which it has the most significant connection.

<sup>3</sup> Listed and unlisted reporting issuers that were cease traded have been excluded.

market participants would refer to this as the "(prospectus-) exempt market" or "private market." In 2019, there were at least 313 Alberta-based non-reporting issuers active in the prospectus-exempt market, down 7.7 per cent from 2018 and down 27 per cent since the end of 2015.<sup>4</sup>

**Chart 1: Number of Alberta issuers**



Alberta PR reporting issuers represented 10 per cent of the total 3,919 reporting issuers in Alberta listed on at least one exchange, with a total market capitalization of \$915 billion or 20 per cent of the market capitalization of all reporting issuers in Canada. Significant declines across markets in early 2020, due to COVID-19, stand out in contrast to much of the data as of December 31, 2019. The market capitalization of all listed Alberta PR issuers increased 18 per cent during 2019 from the 2018 total of \$778 billion driven mostly by increases in the market capitalizations of firms in the other and utilities and pipelines industries. Oil and gas issuers continued to be the largest industry in Alberta, with a combined market capitalization of \$343 billion in 2019, or 38 per cent of the total market capitalization of Alberta PR issuers. In 2018, oil and gas issuers had a combined market capitalization of \$333 billion, which was 43 per cent of the total market capitalization of Alberta PR issuers. Utilities and pipelines were the second largest industry in 2019 with a market capitalization of \$251 billion, or 27 per cent of the total market capitalization of Alberta PR issuers, up from a market capitalization of \$202 billion and up from 26 per cent of the total market capitalization in 2018.

The market capitalization of Alberta PR issuers engaged in the oil and gas industry are generally impacted by energy commodity prices. Western Canadian Select (WCS) crude oil increased in 2019, by 24 per cent, which is an improvement over the 6 per cent decline the year earlier. AECO natural gas prices increased by 39 per cent during 2019, compared to a drop of 41 per cent during the previous year.<sup>5</sup>

<sup>4</sup> Non-reporting issuers do not have a "principal regulator." Thus, this report used the location of the issuer's head office, as identified in regulatory filings.

<sup>5</sup> AECO CAD/GJ as of December 31, 2019: \$2.10, as of December 28, 2018: \$1.51. Western Canadian Select (CAD/Bbl) as of December 31, 2019: \$50.06, as of December 31, 2018: \$40.41. Sources: Bloomberg.

### Recent Events – Impact of COVID-19

In late 2019 and continuing into 2020 a novel coronavirus, named COVID-19<sup>6</sup>, has impacted the global economy and markets. In order to put in context the impact on the Alberta capital market, the market capitalization of issuers and commodity prices are shown below as of March 31, 2020 along with the percentage change from the December 31, 2019 figures that are used elsewhere in this report.

- Canadian listed reporting issuers: \$3,609 billion market capitalization (down 19 per cent)
- Alberta PR reporting issuers: \$666 billion market capitalization (down 27 per cent)
- Alberta PR oil and gas issuers: \$165 billion market capitalization (down 52 per cent)
- WCS crude oil (CAD/Bbl): \$7.21 (down 86 per cent)
- AECO natural gas (CAD/GJ): \$1.75 (down 17 per cent)

Listed reporting issuers regularly access capital through the prospectus-exempt market. Of the 401 Alberta PR reporting issuers, 100 were active in the prospectus-exempt market. Under the jurisdiction of the ASC, active issuers in Alberta include both reporting issuers raising capital publicly or in the prospectus-exempt market, and non-reporting issuers raising capital in the prospectus-exempt market. In 2019, there were 859 active issuers, which is down 4.3 per cent from 898 in 2018.

Issuers may raise capital from investors under a prospectus or under available prospectus exemptions such as the frequently used accredited investor exemption.<sup>7</sup> Prospectuses are used for initial public offerings (IPOs) and subsequent financings for issuers that are already reporting issuers.

Chart 2 (on the following page) depicts total reported financings by Alberta issuers in 2019 of \$24.3 billion, including total prospectus distributions and prospectus-exempt distributions, which is an increase of 10% compared to the 2018 amount of \$22.0 billion. Of the total financings at least 10 per cent were distributions to Alberta investors.<sup>8</sup> As in 2019, this 2020 ACM report includes prospectus distributions based on regulatory data from prospectuses and other documents filed with the ASC. Additional data on financings is shown starting on page 21.

Total financings are shown on page 4 according to whether the issuer was reporting or non-reporting, whether the financing was by prospectus or prospectus exemption, and whether the securities were listed on an exchange or unlisted. Reporting issuers raised \$19.5 billion, or 80 per cent of total reported financings, while non-reporting issuers raised the remaining \$4.8 billion, or 20 per cent. For comparison, in 2018, reporting issuers raised \$17.6 billion, or 80 per cent of the total reported financings, while non-reporting issuers raised the remaining \$4.5 billion, or 20 per cent.

Reporting issuers (including both those with securities listed on an exchange and those with securities not listed on an exchange) issuing securities via prospectus, made up the largest proportion of the total financings reported in 2019, at \$17.4 billion, meaning that 72 per cent of all reported financings were by prospectus (of which 69 per cent was by listed issuers). The second largest financing category was reporting issuers relying on prospectus exemptions, at \$2.1 billion, or 8 per cent of the total capital raised, which was approximately evenly split between listed and unlisted issuers. Non-reporting issuers

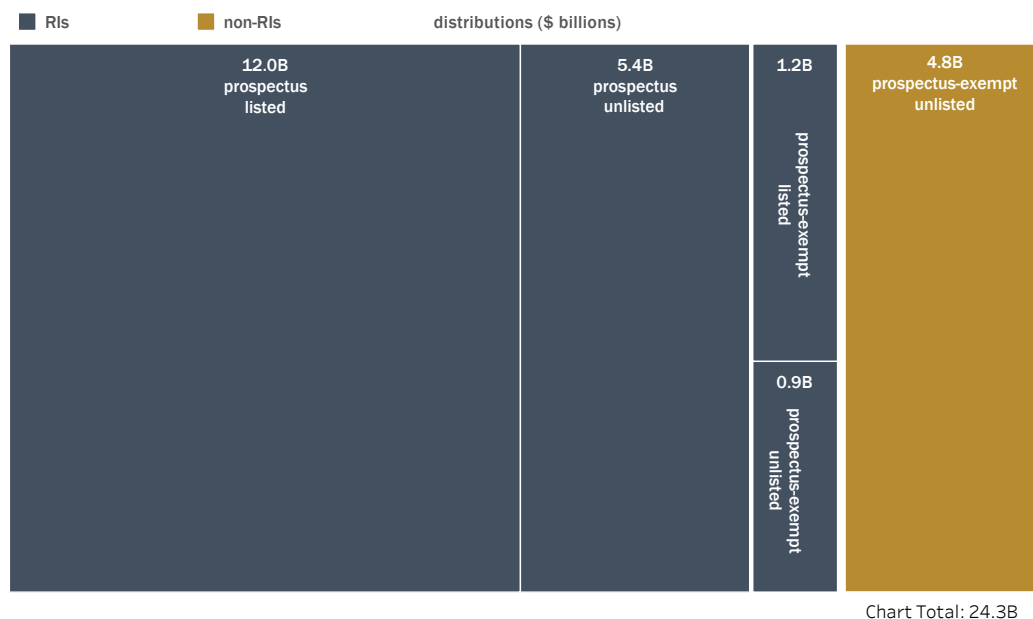
<sup>6</sup> COVID-19 was declared a pandemic by the World Health Organization (WHO) on March 11, 2020.

<sup>7</sup> See National Instrument 45-106 *Prospectus Exemptions* for the most commonly available exemptions.

<sup>8</sup> Based on reports of exempt distribution and notices of proceeds filed with the ASC.

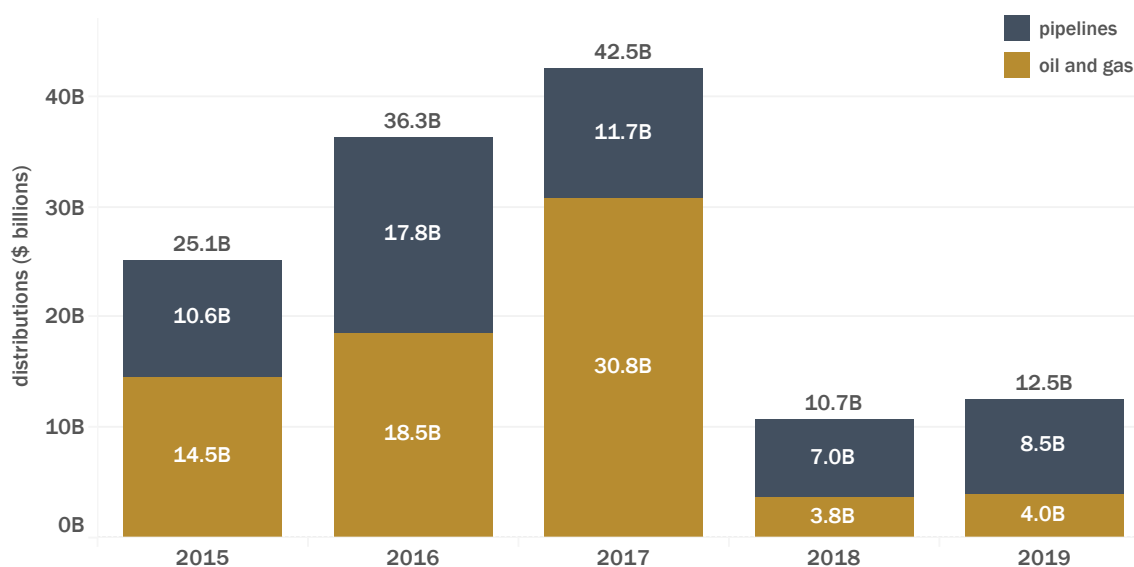
raised \$4.8 billion relying on prospectus-exemptions, or 20 per cent of the total capital raised (the majority of which were unlisted securities.)

**Chart 2: Reported financings by Alberta issuers in 2019, reporting and non-reporting**



Financings in 2019 by oil and gas and pipelines issuers specifically are reflected in Chart 3. Total financings under prospectus and prospectus exemptions by Alberta oil and gas and pipelines issuers totaled \$12.5 billion, up 16 per cent from \$10.7 billion in 2018. Despite the increase in 2019, oil and gas and pipelines financings are still down significantly from 2017, a decrease which is more pronounced than the general decrease in financings by Alberta issuers as shown later in Chart 19.

**Chart 3: Oil and gas and pipelines financings by Alberta issuers in 2019, reporting and prospectus exempt**



## Alberta Registrants

In general, market participants that are in the business of trading or advising in securities or managing investment funds are required to be registered with securities regulators and/or through self-regulatory organizations as a dealer or adviser (similar to licensing used in some foreign jurisdictions). There are a number of registration categories, the most common being investment dealer, exempt market dealer, mutual fund dealer, portfolio manager and investment fund manager. In Alberta, investment dealers are overseen by the Investment Industry Regulatory Organization of Canada (IIROC), and mutual fund dealers are overseen by the Mutual Fund Dealers Association (MFDA). Under the passport system, regulation of other dealers and advisers is principally conducted by the securities regulator in the jurisdiction where the firm's head office is located. As of December 31, 2019, there were 122 firms principally regulated in Alberta (compared to 119 firms a year ago), out of a total of 928 registered firms in Alberta. Out of the 122 firms, 101 were directly overseen by the ASC, 16 by IIROC and five by the MFDA.

Of all Alberta PR registered firms, 58 firms (47 per cent) were registered in a single category (51 firms in 2018), 18 firms (15 per cent) were registered in two categories (20 firms in 2018) and 47 firms (38 per cent) were registered in three categories (48 firms in 2018).

## Energy Markets

The oil and gas industry and related utilities and pipelines industry accounted for 65 per cent of the market capitalization of Alberta PR issuers in 2019. Compared to 2018, the oil and gas industry percentage was smaller in 2019 (38 per cent in 2019 compared to 43 per cent in 2018) and the utilities and pipelines industry percentage was larger (27 per cent in 2019 compared to 26 per cent in 2018).

In 2019, the number of issuers in the oil and gas industry represented 39 per cent of the total number of Alberta PR issuers, with the utilities and pipelines industry representing 3.5 per cent of the total number of Alberta PR issuers. In 2018, the number of issuers in the oil and gas industry was 41 per cent of all Alberta PR issuers, while just 3.3 per cent were active in utilities and pipelines.

There is an active energy trading market in Alberta. Total energy contracts transacted on ICE NGX (formerly Natural Gas Exchange Inc., now part of the Intercontinental Exchange, Inc.) in 2019 was 12,339 PJ (petajoules), up 3.4 per cent from 11,936 PJ in 2018.<sup>9</sup> The bulk of trading continued to be physical Canadian natural gas (contracts with physical settlement), which accounted for 82 per cent of total trading on ICE NGX in 2019. The second-largest volume of trading was in physical U.S. natural gas at 11 per cent of the total.

<sup>9</sup> There are other regulated entities and trading venues in Alberta where commodities can be traded. This report only uses NGX data as an indicator of trading natural gas and power contracts.

# Listed Issuer Markets

This section provides a comparative analysis of the number and size of the listed reporting issuers in Canada and financings in the public market. The analysis includes all issuers listed on the TSX and TSXV, as well as issuers listed on other exchanges that are reporting issuers<sup>10</sup> in Alberta. The information was based on data from the TMX, supplemented with data from the ASC, SEDAR, and Bloomberg.

Creating a more comprehensive dataset required some assumptions, such as industry classifications, which are discussed where relevant. The Appendix contains technical details on methodology and some analysis of the assumptions made. All data is based on calendar year-end. Monetary amounts originally in a foreign currency were converted to Canadian dollars based on the prevailing spot foreign exchange rate as of December 31, 2019.

## LISTED REPORTING ISSUERS

**Chart 4: Number of listed reporting issuers, by PR**

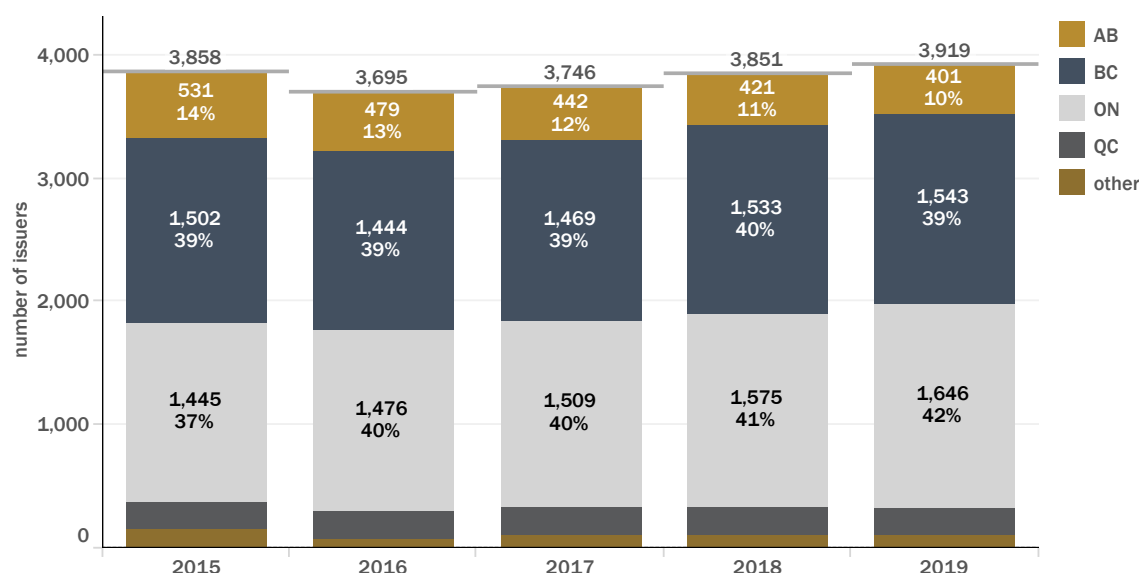


Chart 4 shows the number of listed reporting issuers over the last five calendar years, broken down by the largest four principal regulators (Alberta, British Columbia, Ontario and Quebec) and the remaining Canadian jurisdictions grouped into "other." In 2019, Alberta was PR to 401 reporting issuers, representing 10 per cent of the total 3,919 listed reporting issuers. Ontario continued to have the greatest number of listed reporting issuers with 1,646 issuers (42 per cent), of which a large number (721 issuers) were ETFs and other funds. British Columbia had 1,543 issuers (39 per cent) and Quebec had 224 issuers (5.7 per cent).

The number of reporting issuers in Canada increased again in 2019, continuing the trend that occurred in 2017 that reversed the prior downward trend that had existed since 2012 (not shown). Overall, the

<sup>10</sup> See footnote 1.



number of reporting issuers increased by 1.8 per cent in 2019. However, the number of Alberta PR issuers declined by 4.8 per cent in 2019.

**Chart 5: Market capitalization at December 31 of listed reporting issuers, by PR**

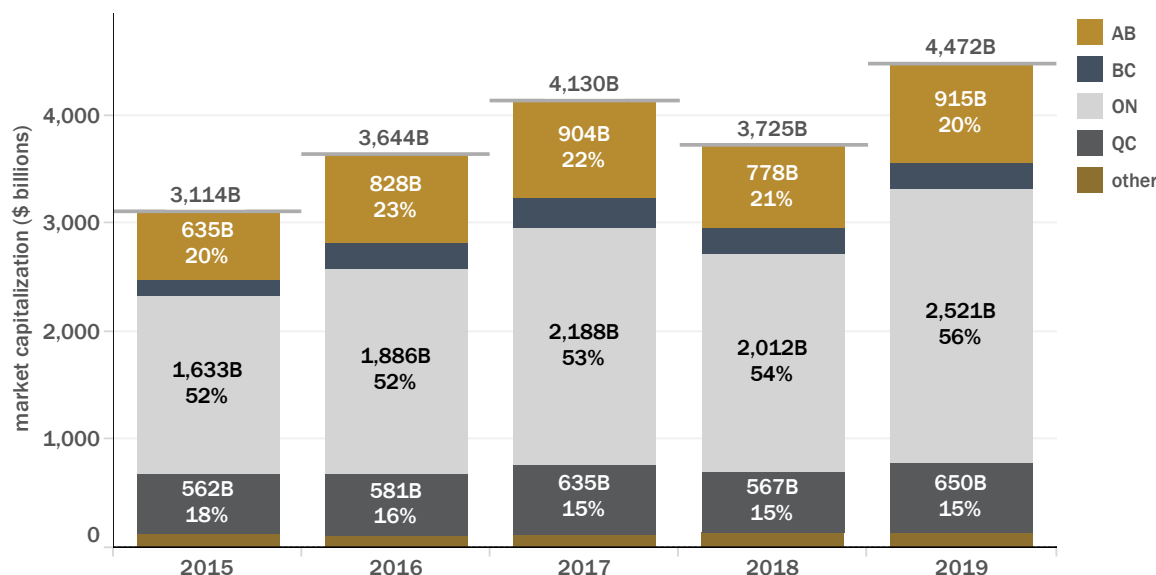


Chart 5 shows that the market capitalization of all listed reporting issuers in Canada (including foreign-based issuers) increased 20 per cent in 2019 to \$4,472 billion from \$3,725 billion in 2018. There was an increase in the market capitalization of listed reporting issuers in each of the four larger jurisdictions from 2018 to 2019 (including foreign-based issuers). The largest increases were in Ontario and Alberta which increased 25 and 18 per cent, respectively. Quebec had the next largest increase in market capitalization of listed reporting issuers at 15 per cent (to \$650 billion in 2019) followed by B.C. with an increase of 4.3 per cent (to \$248 billion). Most of the increase (41 per cent) in market capitalization of Alberta PR issuers was due to Adobe Systems Incorporated, an issuer with a foreign head office. Their market capitalization increased by \$56 billion from 2018 to 2019.

The market capitalization of listed reporting issuers with a Canadian head office increased by 18 per cent in 2019 to \$3,150 billion from \$2,659 billion (not shown).

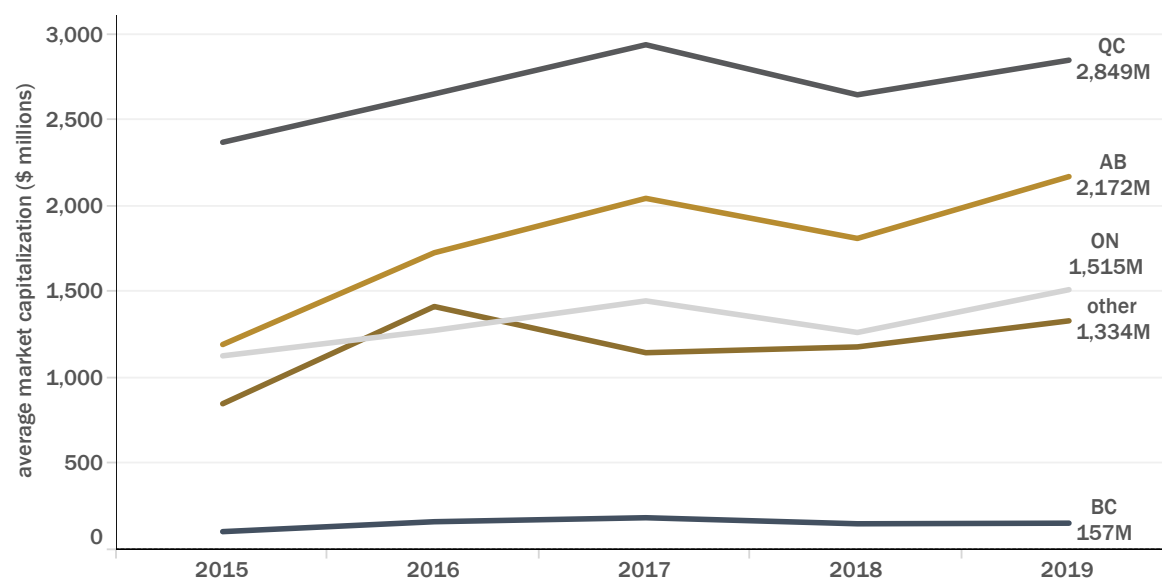
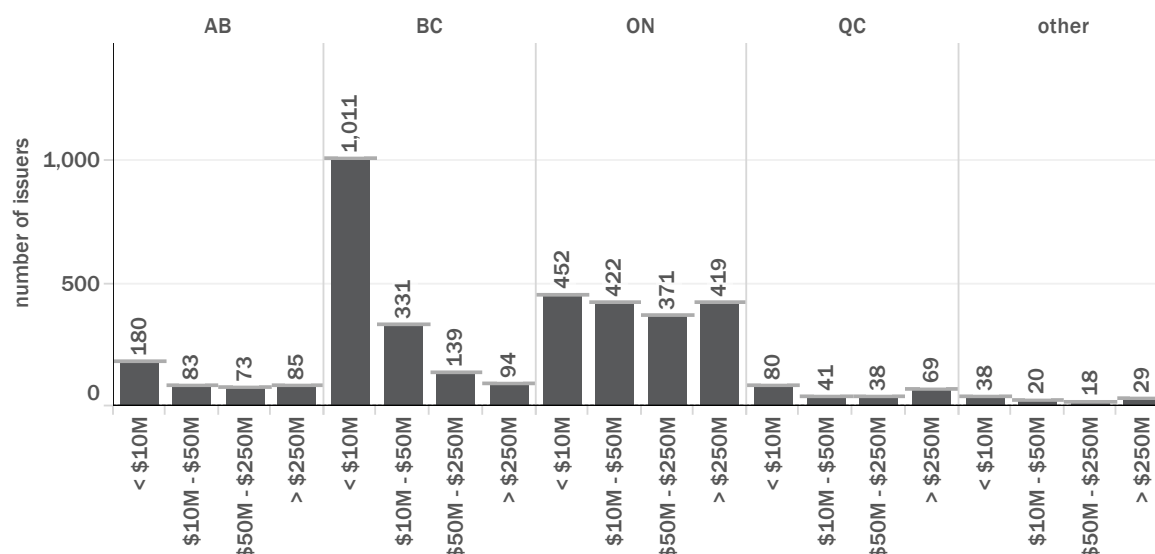
**Chart 6: Average market capitalization of reporting issuers, by PR**

Chart 6 shows an unweighted average of market capitalization by PR for reporting issuers. The province with the largest issuer market capitalization was Quebec, with an average of \$2,849 million, followed by Alberta at \$2,172 million. The combined jurisdictions in the "other" category had an average of \$1,334 million. Quebec has the fewest number of reporting issuers out of the four larger jurisdictions. The average market capitalization for Quebec issuers is considerably influenced by the market capitalization of the Royal Bank of Canada, headquartered in Quebec, with a market capitalization of about \$152 billion at the end of 2019. However, even excluding the Royal Bank of Canada, the average market capitalization for Quebec issuers was \$2,191 million at the end of 2019 – still significantly larger than any other jurisdiction. As implied by the previous two charts, British Columbia PR issuers tend to have a much smaller market capitalization than issuers in other jurisdictions as there are many junior mineral exploration companies in the province. British Columbia PR issuers had an average market capitalization of \$157 million at the end of 2019, far less than Ontario, the next smallest average of the four provinces, with an average market capitalization of \$1,515 million.

**Chart 7: Distribution of reporting issuers by market capitalization, for 2019**

As noted previously, the distribution of reporting issuers by market capitalization was quite different across the major jurisdictions. Chart 7 shows the distribution of reporting issuers by PR at the end of 2019 by market capitalization. All jurisdictions exhibited a greater number of issuers with market capitalizations in the two categories less-than-\$50 million than the two categories greater-than-\$50 million. There were 180 Alberta PR issuers in the less-than-\$10 million category, which was 112 per cent more than the 85 issuers in the greater-than-\$250 million category. However, there were 976 per cent more British Columbia PR issuers in the less-than-\$10 million category than the greater-than-\$250 million category. This reflects the tendency for British Columbia PR issuers to have a smaller market capitalization than reporting issuers in other provinces. Quebec had 16 per cent more PR issuers in the less-than-\$10 million category than the greater-than-\$250 million category. In Ontario, there were 8 per cent more issuers in the less-than-\$10 million category than the greater-than-\$250 million category.

Compared with 2018 (data not shown), the number of Alberta PR issuers in 2019 increased in the less-than-\$10 million category yet decreased in the larger market capitalization categories.



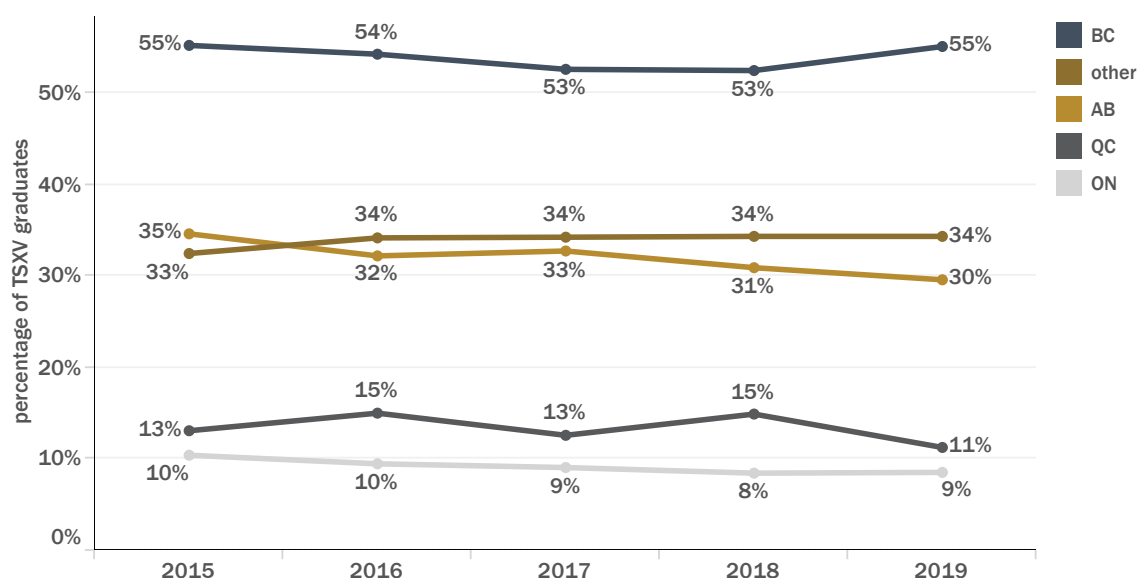
**Chart 8: Percentage of TSX listed issuers that graduated from TSXV, by PR**

Chart 8 is based only on TMX data, which has a field indicating whether each issuer listed on the TSX is a TSXV "graduate". This means that the issuer was at one time listed on the TSXV exchange and subsequently met the listing requirements to move its listing to the TSX, Canada's biggest exchange for larger issuers.<sup>11</sup> Alberta and British Columbia have significant resource-based economies, which is reflected by the industry classifications of issuers in these provinces (see Chart 11 and Chart 12 for further industry details). Many issuers in oil and gas and mining begin as small, private issuers and may, in time, progress to be listed on the TSXV, and later the TSX. Chart 8 shows that at the end of 2019, 30 per cent of Alberta PR issuers listed on the TSX were once listed on the TSXV. This was exceeded only by British Columbia PR issuers at 55 per cent. In contrast, only 8.6 per cent of Ontario PR issuers and 11 per cent of Quebec PR issuers were TSXV graduates at the end of 2019. The "other" category was unchanged in 2019 from the 34 per cent of TSXV graduates in 2018.

<sup>11</sup> The amount of time an issuer has been listed on the exchange impacts the proportion of TSXV graduates. For example, if issuers listed on the TSX are filtered to include only those listed in the last 10 years (compared to no time limit as used in the chart), in 2019, the percentage of Quebec graduates increases to 24 per cent (from 11 per cent) and for B.C. to 70 per cent (from 55 per cent) while Alberta and Ontario are relatively unchanged.

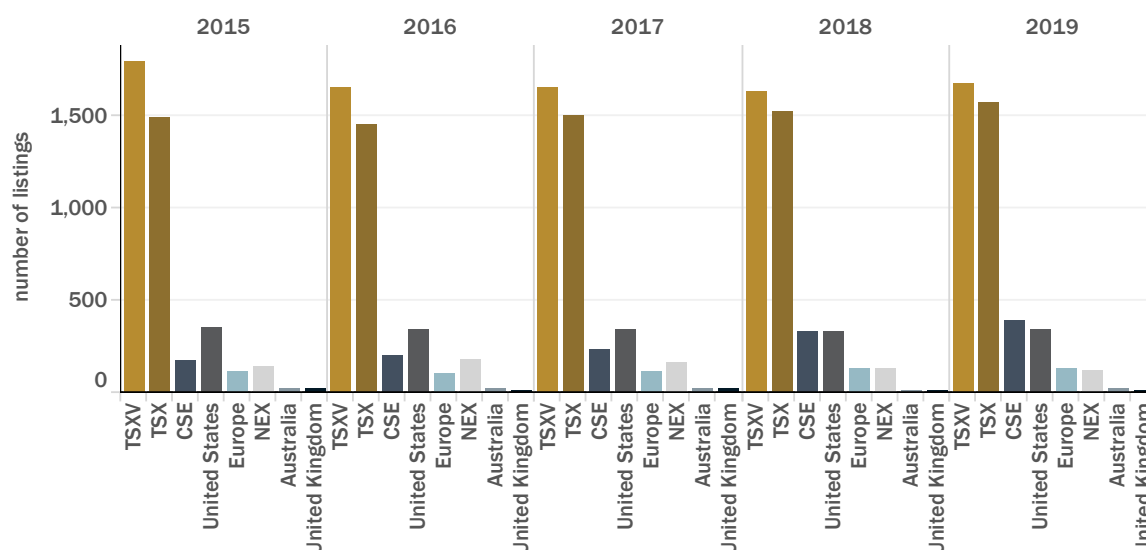
**Chart 9: Number of listings of reporting issuers by exchange or region**

Chart 9 displays Canadian reporting issuers<sup>12</sup> listed on major Canadian exchanges as well as listed on exchanges in other countries or regions. Issuers may be inter-listed, which means they may have listings on multiple exchanges. Listings data in this report was compiled from the TMX, Bloomberg and SEDAR.

The chart indicates that overall there were more listings in 2019, 141 or 3.4 per cent more, than in 2018. The TSX and TSXV experienced 3.0 per cent and 2.5 per cent increases, respectively. The exchange with the largest increase was the CSE, which increased by 61 listings or 18 per cent. Alberta RIs listed on the CSE have been increasing since 2014, which could be a function of competition in the exchange industry as well as smaller companies entering into emerging industries.

<sup>12</sup> Other exchanges and major foreign regions with few listings of Alberta RIs are not represented in this chart including the Neo Exchange, exchanges categorized by the issuer as 'other' on SEDAR, the region of Asia, as well as exchanges from international countries with few data points.

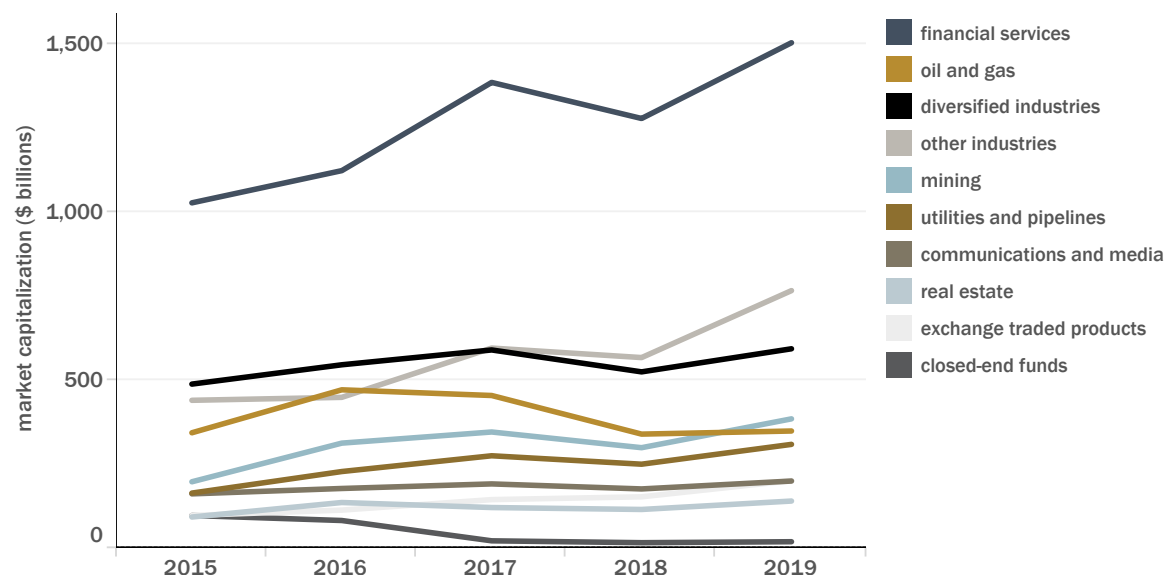
**Chart 10: Total market capitalization of all reporting issuers, by industry**

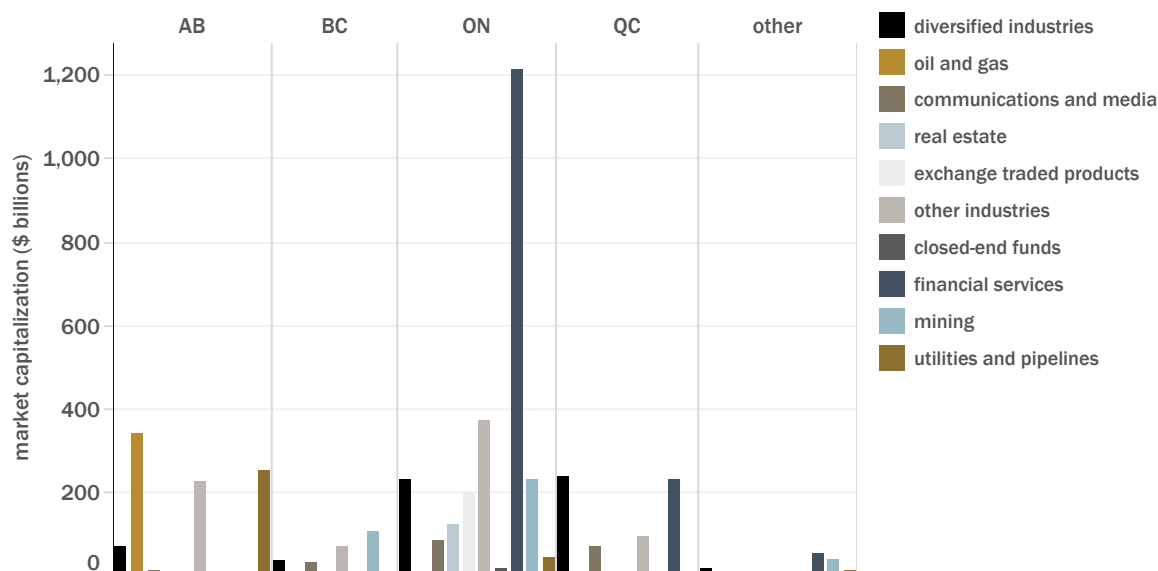
Chart 10 shows the change in total market capitalization of major industries for all reporting issuers over the last five years.<sup>13</sup> Nationally, financial services was the largest industry in terms of market capitalization among reporting issuers in each of the last five years. It had a market capitalization of \$1,506 billion at the end of 2019, up 18 per cent from 2018 and represented 34 per cent of the total market. The industry that increased the most was financial services, followed by ‘other industries’, which increased by 17 per cent from 2018 to 2019.

The oil and gas industry increased the least out of the categories in the graph, rising by 2.7 per cent in market capitalization to \$349 billion at the end of 2019 and represented 7.8 per cent of the market. Oil and gas issuers ranked fifth, behind financial services, other industries, diversified industries, and mining.<sup>14</sup>

<sup>13</sup> For this analysis, the industry classification by the TMX was preferred, with the SEDAR industry classification used if the issuer was not listed on either the TSX or TSXV. The SEDAR industry classification was changed to a TMX industry classification when reasonable; otherwise the issuers were classified to other industries. A detailed discussion about this methodology is available in the Appendix.

<sup>14</sup> Note that issuers self-report their industry on SEDAR and within “other” industries, the five largest companies by market capitalization accounted for 54 per cent of the category total in 2019. These issuers were Adobe Systems Incorporated, Advanced Micro Devices, Inc., Shopify Inc., Valero Energy Corporation, and Johnson Controls International PLC. Interestingly, all of the mentioned issuers, except Shopify Inc., are foreign-headquartered.



**Chart 11: Total market capitalization of reporting issuers by industry and PR, for 2019**

As shown in Chart 11, regional industry differences become more apparent when broken down by PR jurisdiction. Chart 11 shows total market capitalization by industry and PR for year-end 2019. In this chart, the dominance of oil and gas, and related utilities and pipelines, among Alberta PR issuers stands out ('other industries' also stands out but represents multiple industries). The oil and gas and utilities and pipelines industries represented a combined market capitalization of \$594 billion (65 per cent) of Alberta PR issuers. (More specific analysis of Alberta PR issuers begins on page 17.) British Columbia PR issuers in the mining industry represented \$105 billion (42 per cent) of the total in British Columbia. Among Ontario PR issuers, financial services stood out as the largest industry (and largest industry amongst all jurisdictions in the chart) totalling \$1,216 billion (48 per cent), followed next by other industries totaling \$373 billion (15 per cent). In Quebec, diversified industries represented \$241 billion (37 per cent) while financial services represented \$231 billion (36 per cent) of market capitalization.

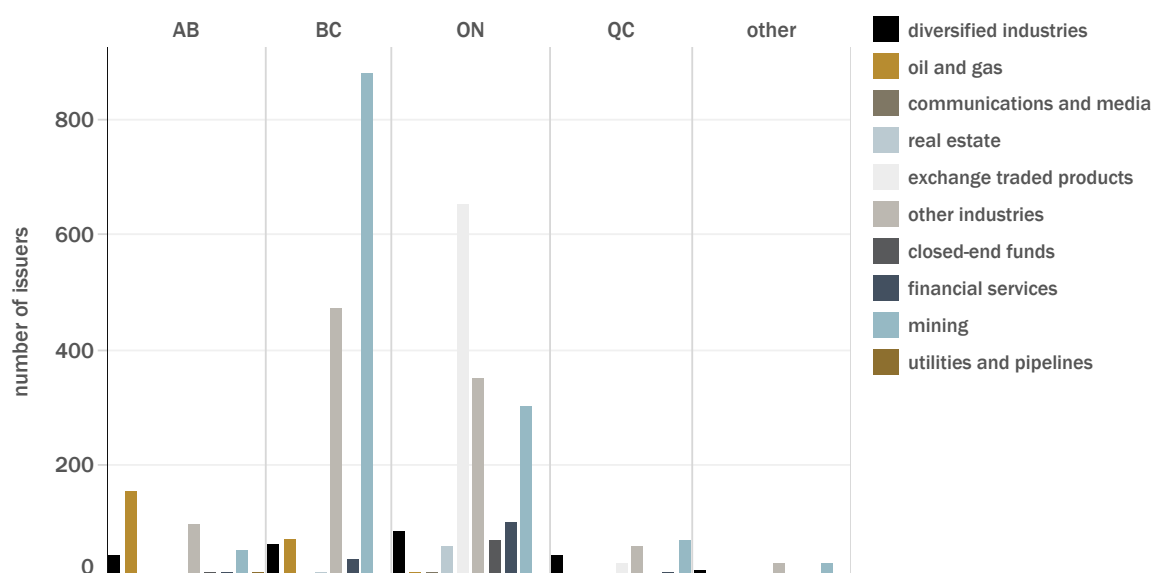
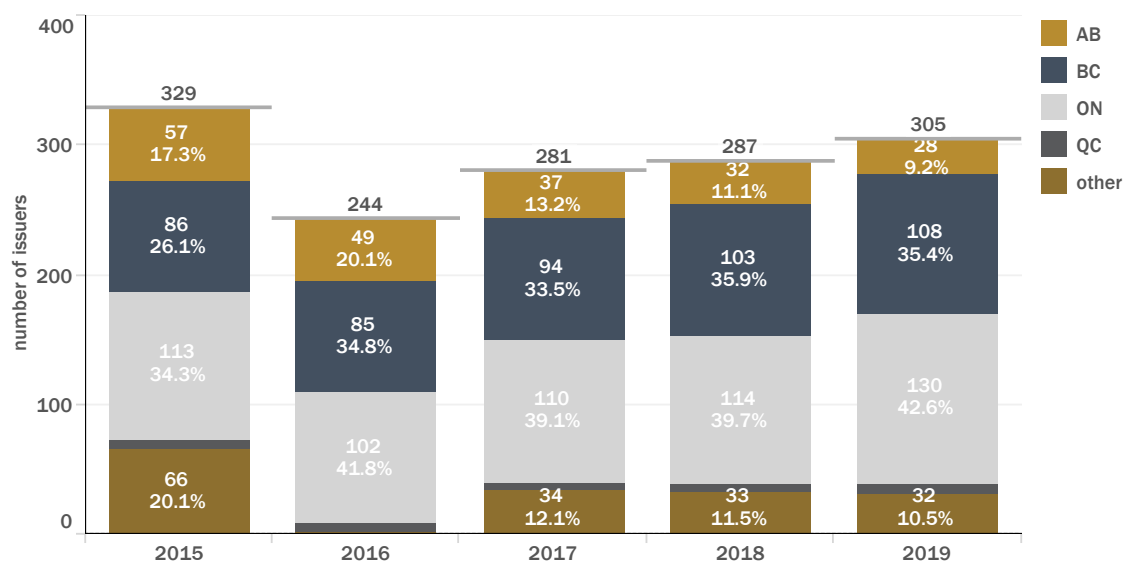
**Chart 12: Total number of reporting issuers by industry and PR, for 2019**

Chart 12 shows a breakdown similar to Chart 11, but by number of issuers. Among Alberta PR issuers, oil and gas (including oil and gas services), was still the leading industry, represented by 155 issuers (39 per cent) out of 401 issuers. While the oil and gas industry in Alberta dominated all others on a market capitalization basis, there were still a significant number of issuers engaged in other industries: 96 (24 per cent) in other industries, and 50 (13 per cent) in the mining industry. The number of utilities and pipelines issuers ranked fifth at 14 issuers (3.5 per cent), but represented 27 per cent on a market capitalization basis.

A total of 881 (57 per cent) of British Columbia PR issuers were engaged in the mining industry followed by 472 (31 per cent) in other industries. ETFs and other funds represent a significant component of the total 1,646 Ontario PR issuers, with 652 (40 per cent) issuers being exchange traded products, and 69 (4.2 per cent) being closed-end funds. The balance of the Ontario PR issuers were comprised of 303 (18 per cent) issuers in mining, 351 (21 per cent) issuers in other industries and 99 (6.0 per cent) issuers in financial services. In Quebec, 66 (30 per cent) issuers were in mining, 57 (25 per cent) issuers in other industries, and 42 (19 per cent) issuers in diversified industries.

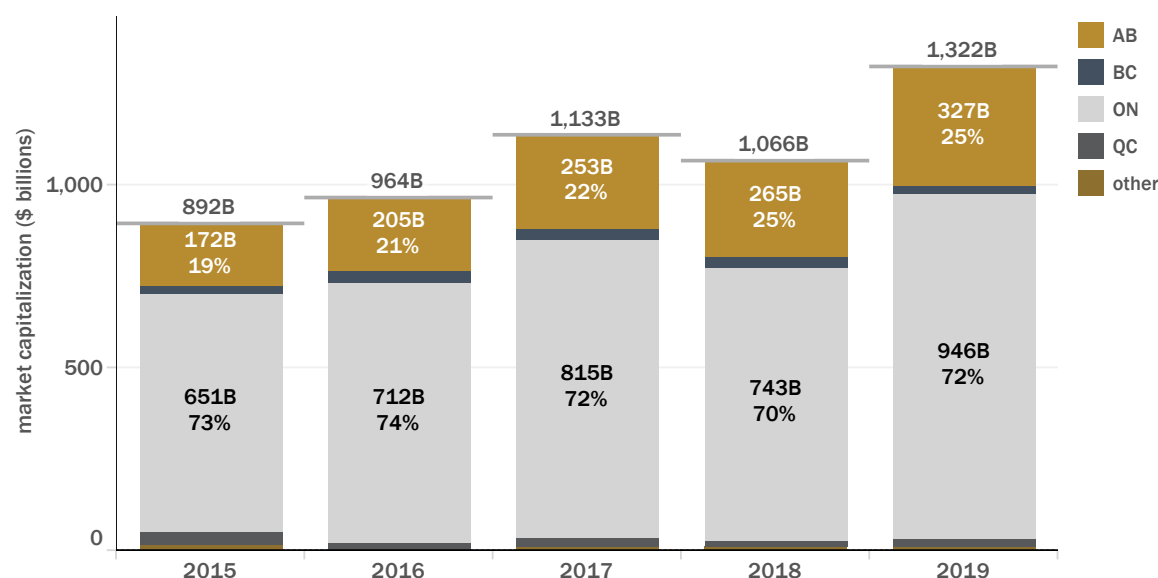
## FOREIGN REPORTING ISSUERS

Chart 13: Number of foreign reporting issuers, by PR



The percentage of reporting issuers headquartered outside Canada has ranged from 6.9 per cent to 7.4 per cent over the last five years. Chart 13 shows the total number of foreign issuers, determined by the head office reported on SEDAR. The 305 foreign issuers at the end of 2019 was a slight increase from the 287 foreign issuers at the end of 2018. Also shown in Chart 13 is the breakdown of foreign issuers by PR. The number of foreign issuers was greatest in Ontario at 130 (43 per cent), followed by British Columbia at 108 (35 per cent), Alberta at 28 (9.2 per cent) and Quebec at seven (2.3 per cent). Foreign reporting issuers with Alberta as the PR represented 7.0 per cent of all Alberta PR issuers at the end of 2019.



**Chart 14: Total market capitalization of foreign reporting issuers by PR**

As shown in the prior chart, the number of reporting issuers with foreign headquarters in 2019 was smaller than the number in 2015 by 7.3 per cent. In contrast, Chart 14 shows that the market capitalization of foreign issuers has increased by 48 per cent over the last five years to \$1,322 billion in 2019 from \$892 billion in 2015. Some of this increase was attributable to a large increase in the market capitalization of Ontario PR foreign-headquartered reporting issuers, which has increased 45 per cent from \$651 billion in 2015 to \$946 billion in 2019. The total market capitalization of these Ontario PR issuers has been influenced by large issuers like Visa Inc., Advanced Micro Devices, Inc., Barclays Bank PLC, Valero Energy Corporation, and Newmont Goldcorp Corporation, which accounted for a combined \$696 billion of market capitalization in 2019 or 74 per cent of the foreign issuers with an Ontario PR. It should be noted that not all of these issuers had securities listed on a Canadian exchange and the market capitalization of the issuers' listed equity on a foreign exchange in Canadian dollars has been used in calculating the totals.<sup>15</sup>

<sup>15</sup> Some foreign issuers choose to become reporting issuers in Canada to facilitate capital raising in Canada, but do not necessarily list on a Canadian exchange if they already have a listing on another exchange.

## FOCUS ON LISTED REPORTING ISSUERS PRINCIPALLY REGULATED IN ALBERTA

**Chart 15: Total market capitalization of industries for Alberta PR issuers**

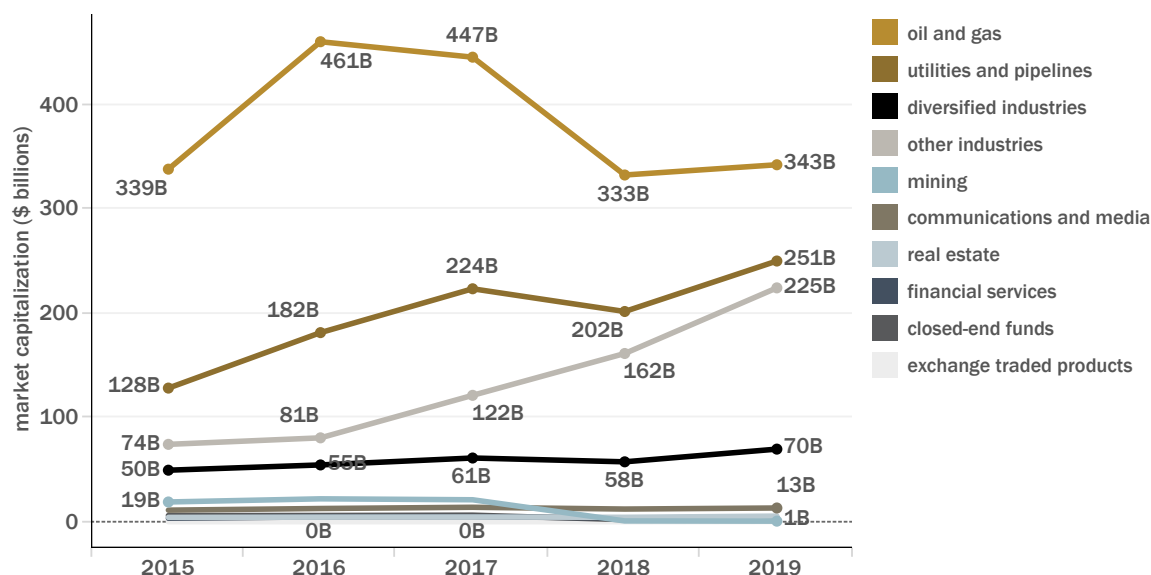


Chart 15 is similar to Chart 10, except that it includes only Alberta's 401 listed PR issuers, representing a total market capitalization of \$915 billion at the end of 2019. As expected, oil and gas issuers represented the largest industry on the basis of market capitalization at \$343 billion (37 per cent of the total), which is a 3.0 per cent increase from 2018. Utilities and pipelines was the industry with the next largest market capitalization at \$251 billion at the end of 2019, up 24 per cent from 2018. In Chart 15, oil and gas services are included within oil and gas. Oil and gas services comprised \$10 billion of the industry at the end of 2019, which decreased by 2.3 per cent from 2018. Excluding oil and gas services, the oil and gas industry increased by 3.1 per cent since 2018.

**Chart 16: Distribution of Alberta PR issuers by market capitalization, by industry and domicile, for 2019**

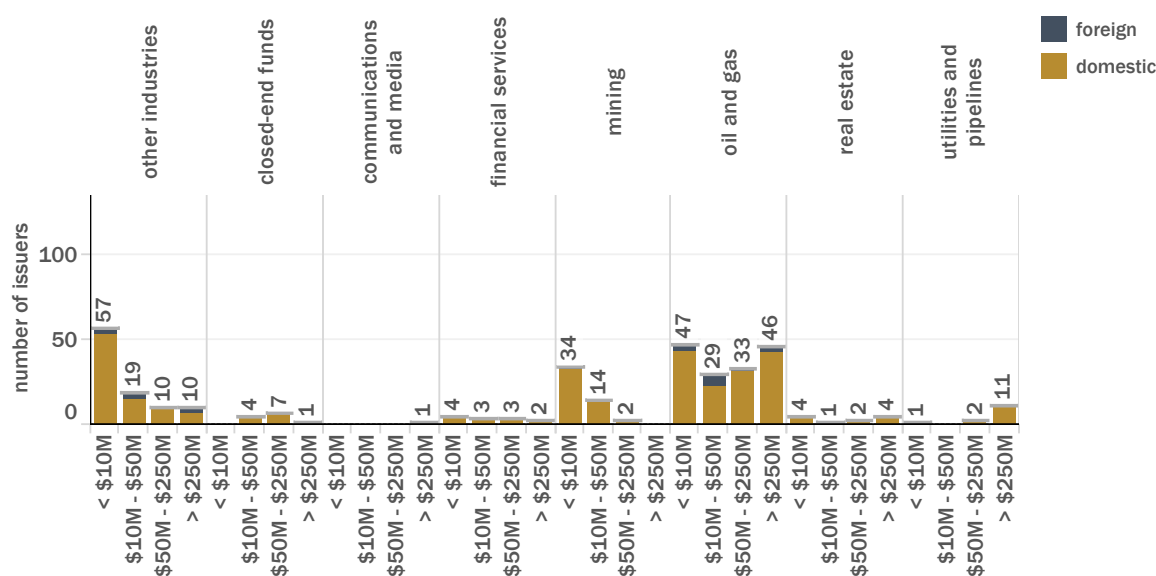


Chart 16 shows the distribution by industry of the market capitalization of Alberta PR issuers at the end of 2019. The chart also shows a split by foreign or domestic headquarters. In the case of oil and gas (including oil and gas services), the number of Alberta PR issuers in the highest market capitalization range decreased compared with 2018 (from 54 to 46), as depicted in Table A.

**Table A: Distribution of Alberta PR oil and gas issuers, 2019 versus 2018**

Category	Number of oil and gas issuers		
	2019	2018	Change
<\$10M	47	51	7.8 per cent decrease
\$10M - \$50M	29	29	No change
\$50M - \$250M	33	36	8.3 per cent decrease
>\$250M	46	54	15 per cent decrease
Total	155	170	8.8 per cent decrease

Fourteen oil and gas issuers (9.0 per cent) were foreign reporting issuers in Alberta, down from 17 (10.0 per cent) in 2018. This was slightly higher than the average of 7.0 per cent for all Alberta PR issuers in 2019 (7.6 per cent in 2018).

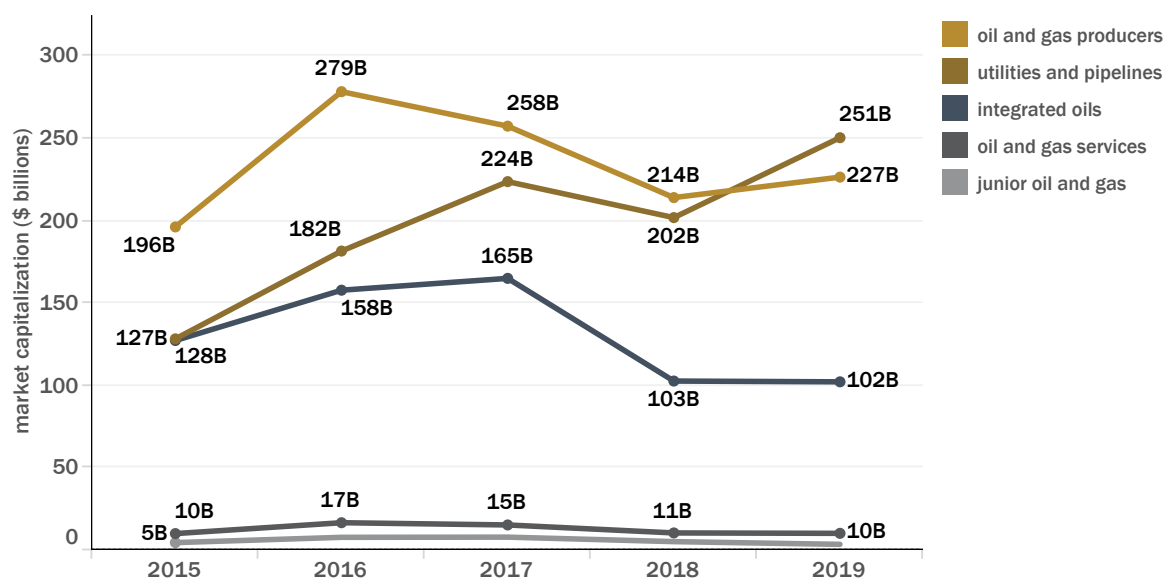
**Chart 17: Total market capitalization of oil and gas sectors for Alberta PR issuers**

Chart 17 and Chart 18 focus more specifically on the oil and gas, and utilities and pipelines industries. For this analysis (explained in more detail in the Appendix), the sub-categorization available in issuers' profiles on SEDAR has been used to further refine the classification of issuers listed on the TSX or TSXV reported in oil and gas and diversified industries, or industrial products and services categories by the TMX.<sup>16</sup> If the industry of a reporting issuer was not listed on the TSX or TSXV, the classification was based on the issuer's SEDAR profile. It should be noted that issuers select their industry classification on SEDAR.

By market capitalization, utilities and pipelines were the largest sector among Alberta PR oil and gas reporting issuers, which is a first in at least five years. Previous to 2019, oil and gas producers have traditionally been the largest sector. The utilities and pipelines sector experienced a 24 per cent increase in market capitalization in 2019 to \$251 billion. The next largest sector was oil and gas producers, with a market capitalization of \$227 billion, an increase of 5.8 per cent from the end of 2018. Integrated oils decreased slightly by 0.5 per cent to \$102 billion. Junior oil and gas, and oil and gas services were each only a small fraction of the other categories at \$3.7 billion and \$10 billion respectively. The junior oil and gas sector decreased by 31 per cent from 2018 while the oil and gas services sector decreased by 2.3 per cent.

<sup>16</sup> The TMX includes oil and gas services in diversified industries or industrial products and services. Oil and gas services have been separated from diversified industries and industrial products and services in this report and instead included in oil and gas.

**Chart 18: Distribution of oil and gas Alberta PR issuers by market capitalization and domicile, for 2019**

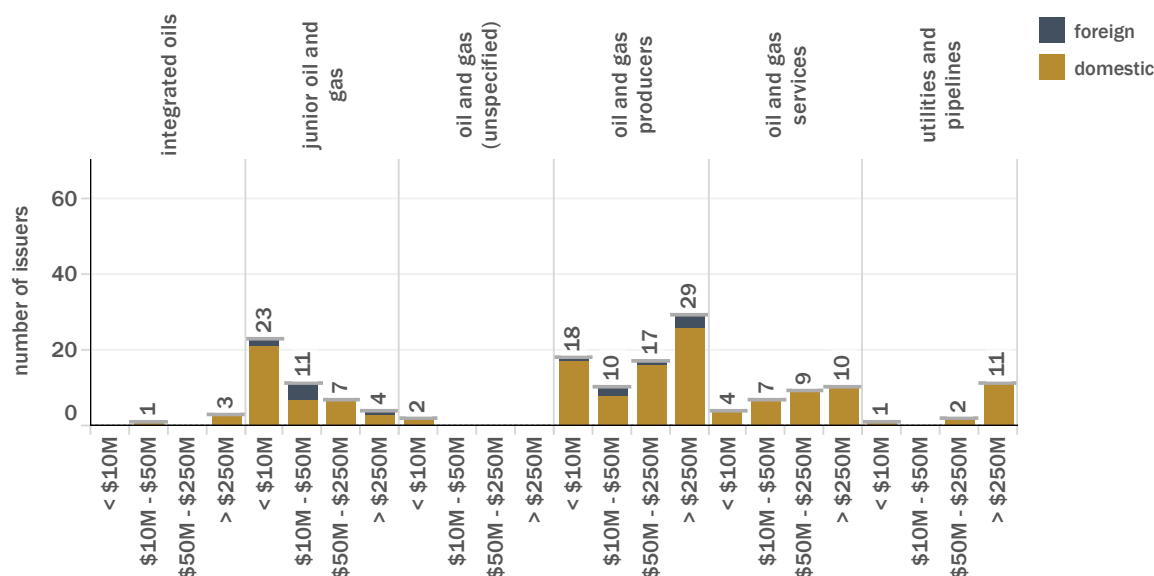


Chart 18 shows the distribution of Alberta PR issuers in oil and gas and utilities and pipelines by market capitalization for 2019. This chart is similar to Chart 16 except that it shows greater detail for the oil and gas issuers. As expected, there was a greater concentration of junior oil and gas issuers in the less-than-\$10 million range and, conversely, a greater concentration of oil and gas producers in the greater-than-\$250 million range. Compared with 2018 (not shown), oil and gas producers experienced a decrease in the greater-than-\$250 million category and an increase in the less-than-\$10 million category.



## REPORTED FINANCINGS BY ALBERTA ISSUERS

The ASC has recently created a database of prospectus distributions based on issuer filings, which includes listed and unlisted securities distributed by prospectus, beginning in 2015. This section is an analysis of distributions by prospectuses and by prospectus exemption, as provided in reports of exempt distribution<sup>17</sup>. Previous editions of this report have included financing data from the TMX, which has been replaced in this year's report by the ASC's prospectus financing data. However, a reconciliation of the TMX and ASC data can be viewed in Chart 46 on page 48.

**Chart 19: Financings by Alberta issuers, prospectus and prospectus-exempt distributions**

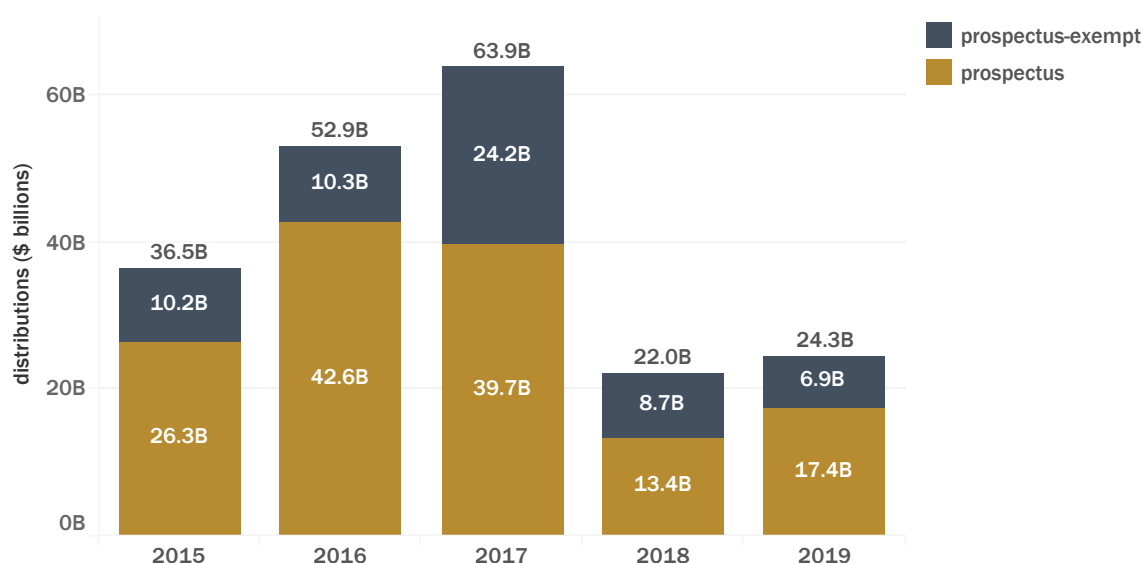


Chart 19 displays the amount of capital raised<sup>18</sup> in these two markets from 2015 to 2019. Since the substantial drop in 2018, financings increased slightly in 2019, rising 10 per cent to \$24.3 billion from \$22.0 billion. The growth in 2019 came from prospectus financings, which increased by 30 per cent and which made up 72 per cent of the 2019 total. Prospectus-exempt financings decreased by 21 per cent in 2019 from 2018 and made up 28 per cent of the total. Despite the modest growth in 2019, financing levels are significantly below the 2017 amount of \$63.9 billion as well as the 2015 and 2016 amounts.

Note that financing data sourced from ASC filings differs materially compared to the analysis of financings by listed issuers sourced from TMX data (Chart 46). The primary difference between the two data sources is that the ASC data includes debt financings whereas the TMX data only contains equity financings and securities convertible to equity. For a full reconciliation please see Chart 46 in the Appendix.

<sup>17</sup> Prospectuses and Reports of Exempt Distribution are required to be filed with the ASC by issuers distributing securities by prospectus or by reportable prospectus exemptions. The prospectus data reported in this section excludes distributions from issuers that are investment funds or scholarship funds, and for prospectuses that are considered At-The-Market (ATM) offerings, exchange offerings (exchanging one type of debt for another), and qualifying securities prospectuses where no new proceeds are raised.

<sup>18</sup> Distributions based on the total of proceeds as reported on the Report of Exempt Distribution and the final amount raised at the closing of the prospectus offering plus over-allotment option amounts, if exercised, as reported by issuers to the ASC.

**Chart 20: Prospectus offerings and prospectus-exempt distributions by Alberta issuers, by security type**

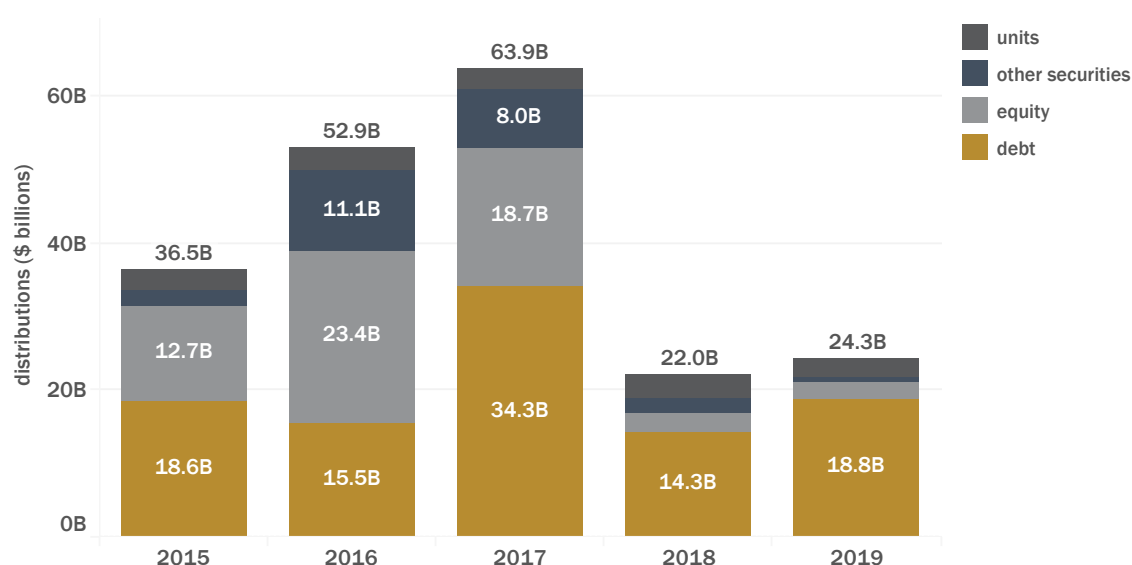


Chart 20 shows a breakdown by security type of distributions by Alberta issuers from 2015 to 2019. Debt securities were the most common security type issued over the past five years (except for 2016) and in 2019 accounted for \$18.8 billion (78 per cent) of the total amount raised. Equity and units each made up 10 per cent while other securities amounted to 2.4 per cent of the total.

Equity issuances are still down substantially from pre-2018 levels as debt securities remains the preferred choice for both prospectus and prospectus-exempt offerings. Note that units and other securities may contain securities that are combinations of equity and debt securities.

**Chart 21: Prospectus offerings and prospectus-exempt distributions by Alberta issuers, by industry**

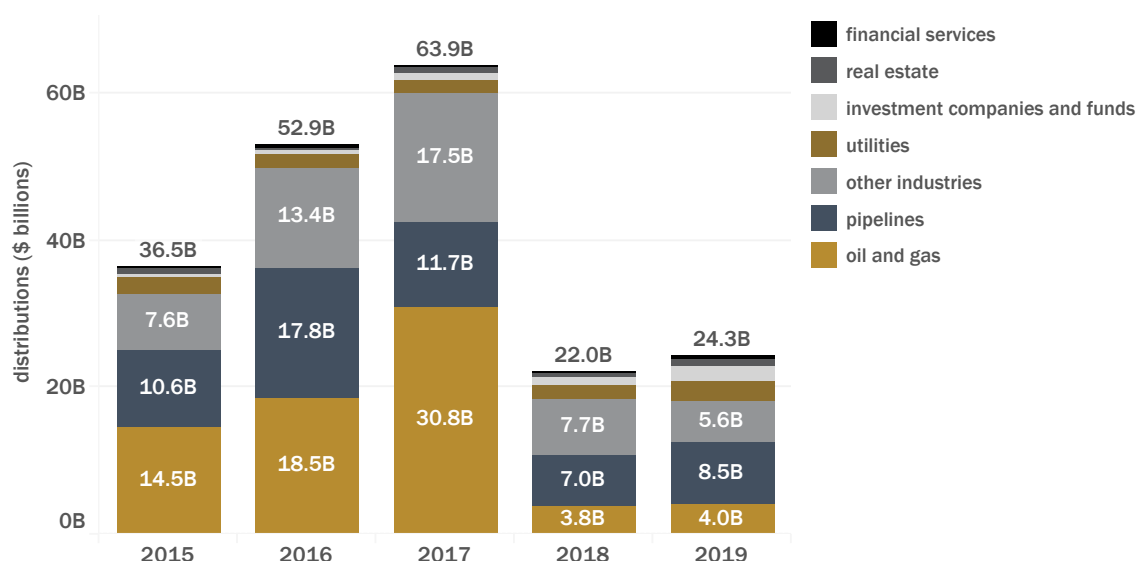


Chart 21 displays the amount of securities distributed by Alberta issuers via prospectus offerings and prospectus-exempt distributions by industry.<sup>19</sup> In 2019, the industry that raised the greatest amount of capital was pipelines, at \$8.5 billion (35 per cent of the total), an increase of 22 per cent from the 2018 amount of \$7.0 billion (32 per cent of the total). Other industries<sup>20</sup> raised the second-greatest amount of capital in 2019 at \$5.6 billion (23 per cent), down 27 per cent from \$7.7 billion in 2018. The oil and gas industry raised the third-greatest amount of capital in 2019, at \$4.0 billion (16 per cent of the total) which was an increase of \$0.2 billion (5.3 per cent) from the previous year's amount of \$3.8 billion. Of note, oil and gas was the industry through which the greatest amount of capital was raised during the 2015 to 2017 timespan. The industry ranking changed in 2018 with the oil and gas industry being the industry in which issuers raised the third-greatest amount of capital.

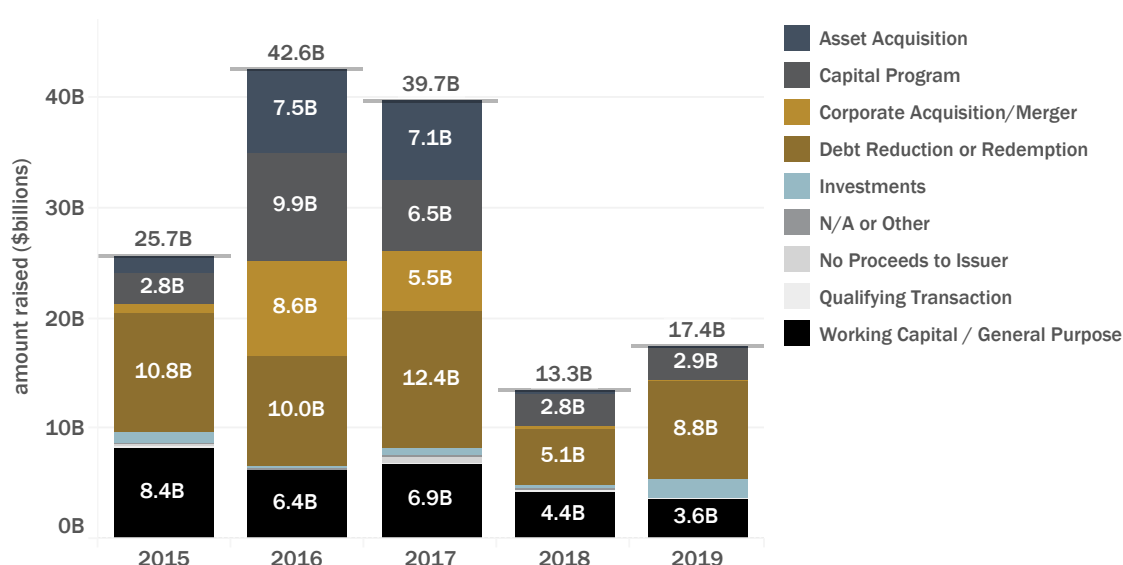
<sup>19</sup> Industry categories are based on the industry that issuers specified in their SEDAR profile. Note that the categorization used in this chart is different than the industry classification used in the prospectus-exempt markets section of this report, which is based on NAICS codes for recent years that are reported by issuers on the Report of Exempt Distribution. The industry classification also differs from the form used in other sections of this report for public financings which utilized a combination of TMX and Bloomberg data.

<sup>20</sup> The other category includes industries not otherwise specified in the chart.

## PROSPECTUS MARKETS IN ALBERTA

The following two charts focus only on prospectus offerings from Alberta issuers.

**Chart 22: Prospectus offerings by Alberta issuers, by primary use of proceeds**



In Chart 22, the primary use of proceeds is displayed for prospectus filings by Alberta issuers, which is sourced from public information filed by issuers. In 2019, debt redemption and repayment was the use of proceeds most often stated by issuers, making up 51 per cent of the total. General/working capital was the reason second-most cited by issuers, accounting for 21 per cent of the total followed by the capital program at 17 per cent. Compared with previous years, debt reduction or redemption made up a larger proportion of the total in 2019, increasing from 38 per cent in 2018 and 31 per cent in 2017, while other uses such as corporate and asset acquisitions have been decreasing. Possible reasons for the increase in use of capital for debt reduction include issuers having higher debt levels and therefore higher debt service requirements and/or a lack of growth opportunities.

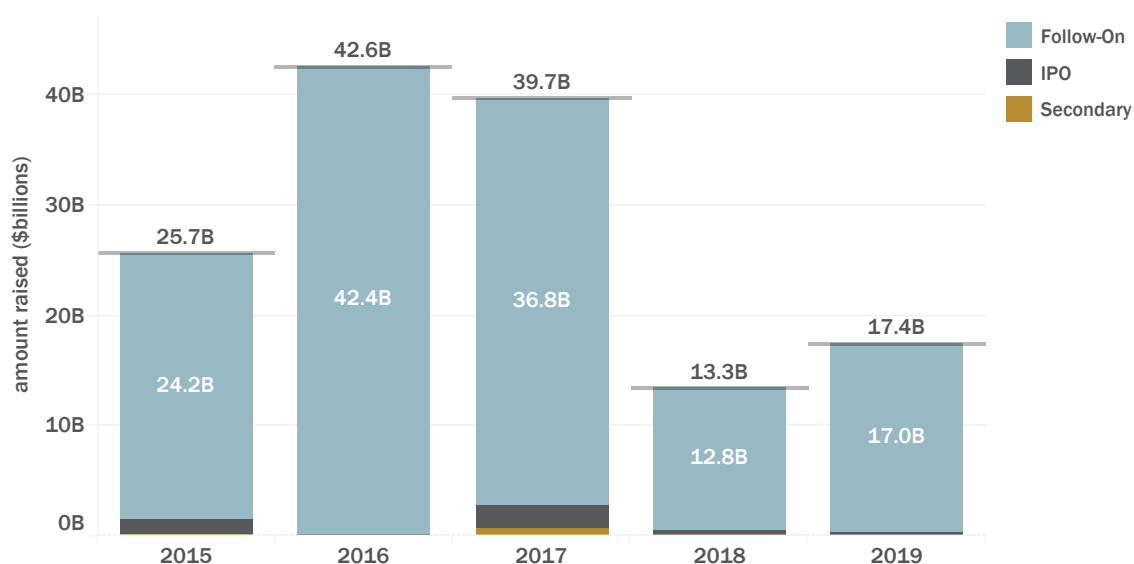
**Chart 23: Prospectus offerings by Alberta issuers, by offering type**

Chart 23 displays prospectus offerings broken out by type: initial public offerings (IPO), secondary offerings, and follow-on offerings. In 2019, IPOs by Alberta issuers amounted to \$0.4 billion, or 2.2 per cent of total 2019 financings which is a decrease from \$0.5 billion and 4.1 percent in 2018. There were no secondary offerings in 2019 (where existing security holders sell their shares and no proceeds are received by the issuer) which was the case in 2018 as well. In the last five years the year with the most IPOs by Alberta issuers was 2017, a year in which \$2.3 billion was raised, followed by 2015 when \$1.3 billion was raised.



# Prospectus-Exempt Markets

## ISSUERS IN THE PROSPECTUS-EXEMPT MARKET

In Canada, the general requirement for any issuer raising capital by issuing securities is to do so via prospectus. There are a number of prospectus exemptions available in National Instrument 45-106 *Prospectus Exemptions*, some of which require the distributions to be reported to a securities regulator using the Report of Exempt Distribution.<sup>21</sup> The analysis in this section is based on the distributions reported to the ASC. However, this data is unfortunately incomplete as various financings (e.g. by issuers relying on the private issuer prospectus exemption) are not required to be reported.

Securities law prior to June 30, 2016 permitted investment funds to file 30 days following the fund's fiscal year-end. Given that the fiscal year-end of an investment fund may not be the same as the calendar year-end, the data reported by investment funds in previous years was typically incomplete at the time of publication of previous Alberta Capital Market reports. Subsequent publications of the report included revised data for the prior year in cases of investment funds that reported following the publication of the report. The effect of the lag was more pronounced when analyzing distributions to Alberta investors than by Alberta issuers, as investment funds tend to be headquartered outside Alberta.<sup>22</sup>

On June 30, 2016, the filing deadline for investment funds was changed to 30 days following the end of the calendar year.<sup>23</sup> This change was part of amendments made to revise the report of exempt distribution, which included the streamlining of certain information requirements and the introduction of new requirements.<sup>24</sup> Despite the change in filing requirements, the 2019 data is not yet complete due to the substantial number of Reports of Exempt Distribution that were filed in the first quarter of 2020 are still being processed. Data for distributions in 2019 that have been recorded to date have been included in this report.

Chart 24 shows the number of issuers that accessed capital in the prospectus-exempt market in Alberta during the calendar year, independent of the location of the issuers' head office. In 2019, using the information available, 2,090 issuers were active in Alberta, of which reporting issuers made up 766 (37 per cent). One reason reporting issuers may choose to raise capital in the prospectus-exempt market is that it can be a more cost-effective means of raising funds than in the public market where a prospectus is required.

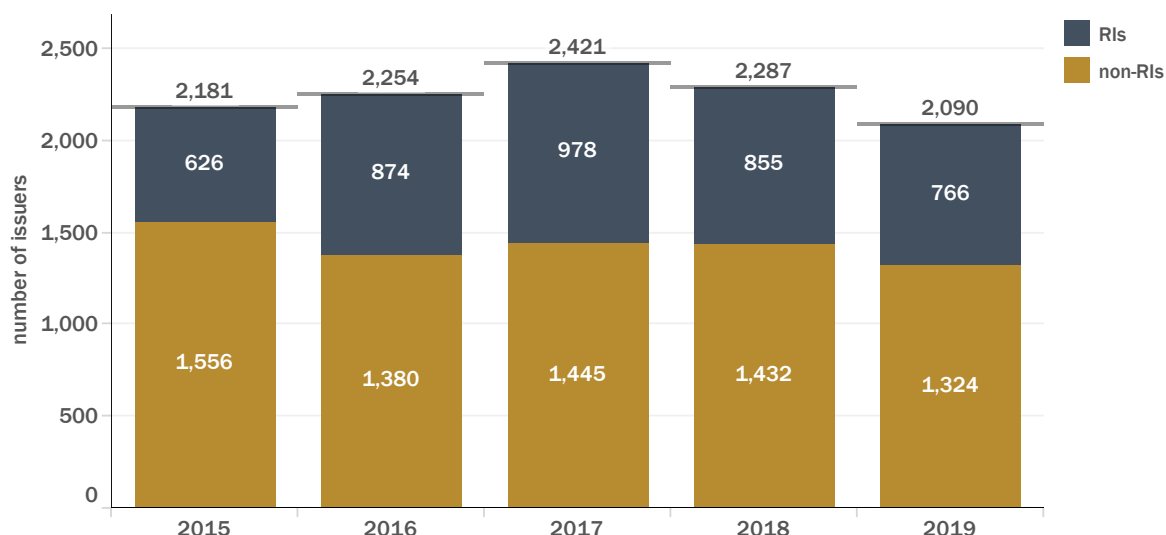
<sup>21</sup> See part 6 of NI 45-106 and Form 45-106F1 *Report of Exempt Distribution*.

<sup>22</sup> For example, the amount of investment by Albertans for the 2017 calendar year was reported in the 2018 Alberta Capital Market (ACM) report as \$13.4 billion, which was revised to \$22.6 billion in the 2019 ACM report. In contrast, the amount of investment by Albertans for the 2018 calendar year was reported in the 2019 ACM report as \$7.9 billion, which has been revised to \$17.9 billion in this report.

<sup>23</sup> See subsection 6.2(2) of NI 45-106.

<sup>24</sup> For further information about the changes to Form 45-106F1 *Report of Exempt Distribution* and reporting requirements, see CSA Notice of Amendments to National Instrument 45-106 *Prospectus Exemptions* relating to Reports of Exempt Distribution, published on April 7, 2016.

**Chart 24: Number of issuers active in the Alberta prospectus-exempt market during the calendar year**



**Chart 25: Number of Alberta-based issuers active in the prospectus-exempt market during the calendar year**

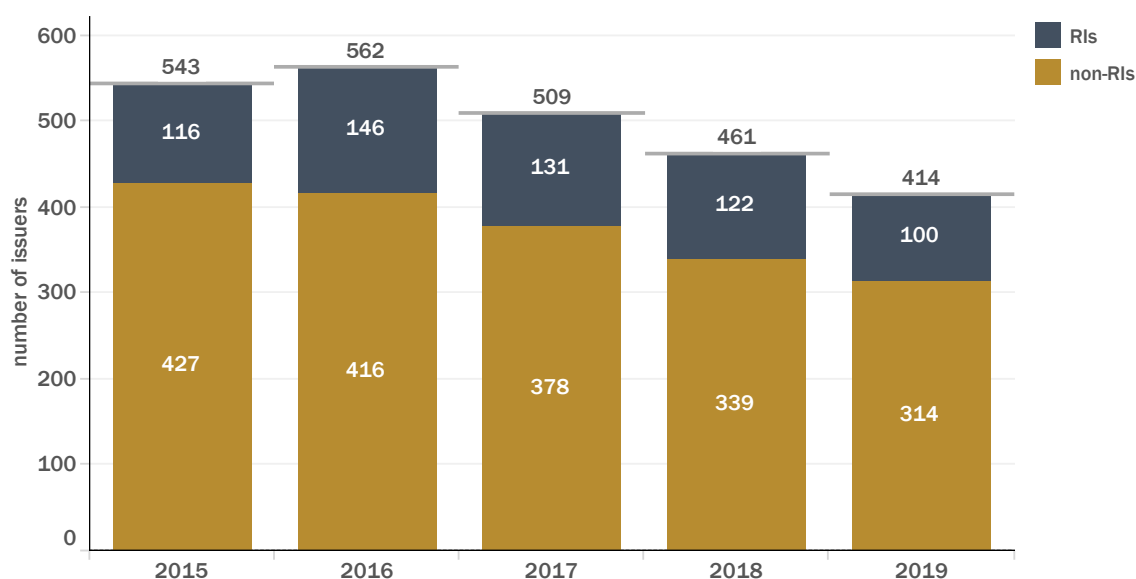


Chart 25 shows the number of Alberta-based issuers that accessed capital in the prospectus-exempt market during the calendar year. Of the reports of exempt distribution that have been filed and processed for 2019, 100 (24 per cent) were reporting issuers. In 2018, 122 (26 per cent) of the Alberta-based issuers active in the prospectus-exempt market were reporting issuers.

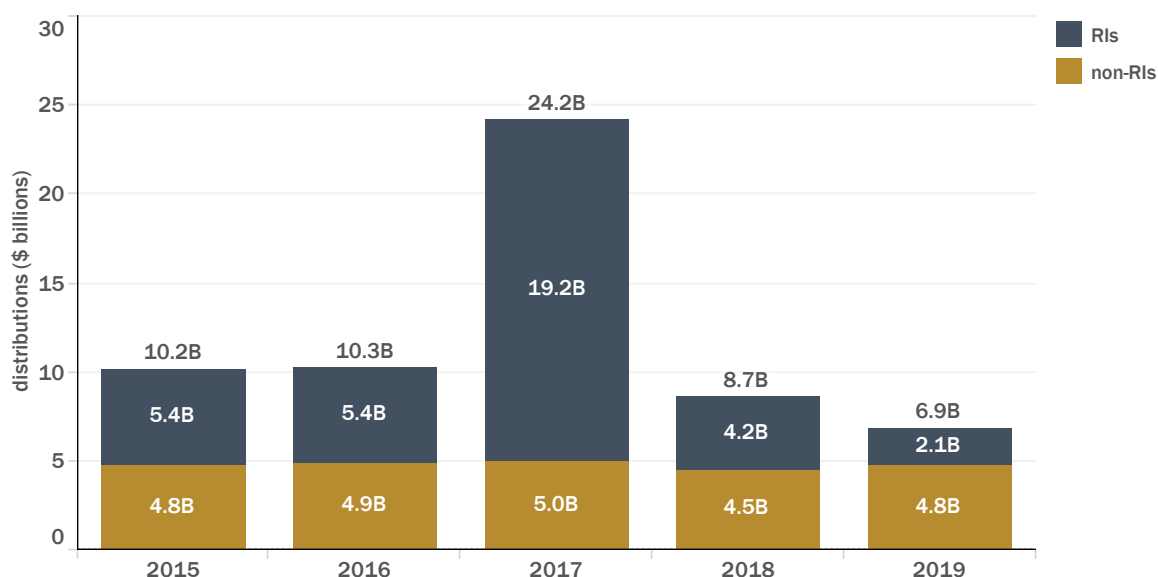
The Alberta capital market is not a closed system. Alberta issuers can distribute securities anywhere in the world where local securities laws permit. Similarly, Alberta investors may purchase securities of any

issuer, provided the issuer meets the requirements of Alberta securities law.

Prominent industries also vary by province and country, where capital raising can occur with or without a prospectus. For these reasons, when analyzing the prospectus-exempt market, it is necessary and more informative to analyze issuers and investors separately, which is the approach in the following two sections.

## PROSPECTUS-EXEMPT FINANCINGS BY ALBERTA ISSUERS

**Chart 26: Total raised in the exempt market by Alberta-based issuers, by reporting type**



For prospectus exemptions that are reportable, Alberta securities law requires Alberta-based issuers to report exempt distributions to the ASC, regardless of the jurisdiction of the investor. This is because distributions to investors outside of Alberta are considered distributions "from" Alberta. Chart 26 shows the total capital raised by Alberta-based issuers over the last five years, segmented by whether the issuer was a reporting issuer or non-reporting issuer. Typically, more than half of the capital raised in the prospectus-exempt market has been by reporting issuers choosing to rely on a prospectus exemption.

In 2019, the total amount of funds distributed by Alberta-based issuers was \$6.9 billion which was a 21 per cent decrease from 2018 and a large 72 per cent decrease from the \$24.2 billion distributed in 2017. However, in 2017, a number of large distributions by reporting issuers contributed to total distributions being larger-than-average (compared to the five-year average) exacerbating the 2018 and 2019 decline. Besides 2017, there has been a downward trend in distributions since at least 2015. In 2019, the proportion of total capital raised in the exempt market by Alberta-based reporting issuers was 30 per cent, down from 49 per cent in 2018, and the lowest proportion since at least 2015. This may be due to the recent economic climate faced by Alberta issuers. Many of these reporting issuers have securities listed on an exchange, although not all the securities distributed are listed on an exchange. For example, debt securities (as discussed on page 31) are frequently not listed on an exchange.

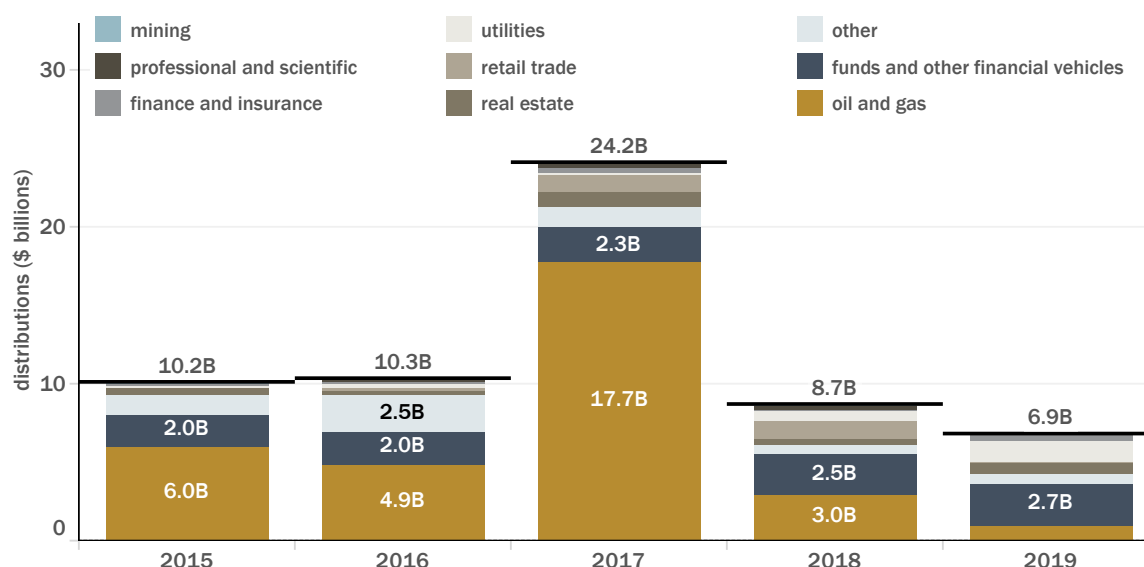
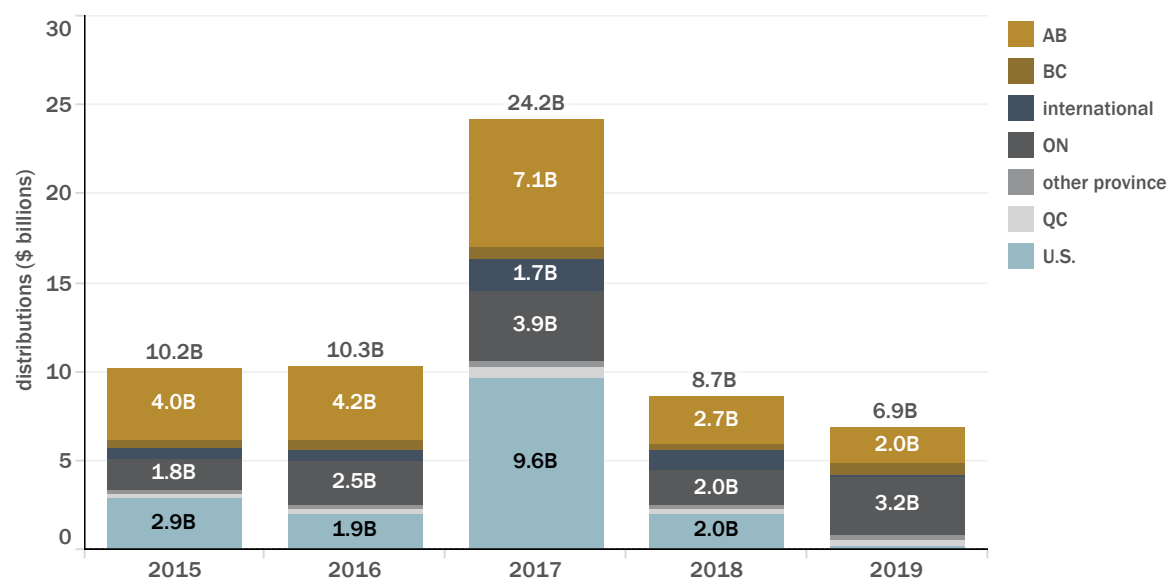
**Chart 27: Total raised in the prospectus-exempt market by Alberta-based issuers, by industry**

Chart 27 shows capital raised by Alberta issuers in the prospectus-exempt market segmented by industry.<sup>25</sup> In Alberta, traditionally the most prominent industry has been oil and gas; this changed in 2019 with the funds and other financial vehicles industry taking over top spot raising \$2.7 billion. The oil and gas industry dropped to third place at \$1.0 billion, behind utilities which raised \$1.3 billion. In 2019, oil and gas industry exempt distributions were down 68 per cent from 2018, which was in turn down 83 per cent from the 2017. It is worth noting that in 2017, a few large exempt distributions were made by oil and gas issuers. For example, the five largest distributions in 2017 totaled \$12.7 billion compared to \$2.8 billion in 2016.

Based on data available for this report, funds and other financial vehicles raised \$2.7 billion by Alberta issuers in 2019, up \$0.2 billion from 2018. Note that some reports of exempt distribution by investment fund issuers are being processed at the time of this report. Note also that in Chart 27, other industries include industry categories that are not otherwise shown and which, prior to the changes in industry reporting referred to above, issuers selected if none of the other categories applied.

<sup>25</sup> On June 30, 2016, issuers filing reports of exempt distribution were required to disclose which industry they operated in using North American Industry Classification System (NAICS) codes. Previously, issuers chose from broader industry categories in the Report of Exempt Distribution. For comparative purposes, the results in Chart 25 are displayed using the NAICS codes and the legacy industry classification system has been mapped to the NAICS categories accordingly. Please note that the two systems are not directly comparable and certain assumptions have been made for analytical purposes.

**Chart 28: Total raised in the exempt market by Alberta-based issuers, by investor location**

As shown in Chart 28, on average, Alberta-based issuers have raised in aggregate approximately one-third of their capital in the prospectus-exempt market from Albertans over the past five years. In 2019, Ontario purchasers made up the largest proportion of purchasers at 47 per cent purchasing \$3.2 billion. The amount of Alberta-issuer distributions purchased by U.S. investors has been decreasing since 2017. In 2019, \$0.2 billion or 3.5 per cent of the funds raised by Alberta-based issuers was from U.S. investors, which was a considerable decrease from \$2.0 billion or 23 per cent in 2018 and was even more pronounced when compared against the \$9.6 billion (40 per cent) purchased in 2017.



**Chart 29: Total raised in the prospectus-exempt market by Alberta-based issuers, by security type**

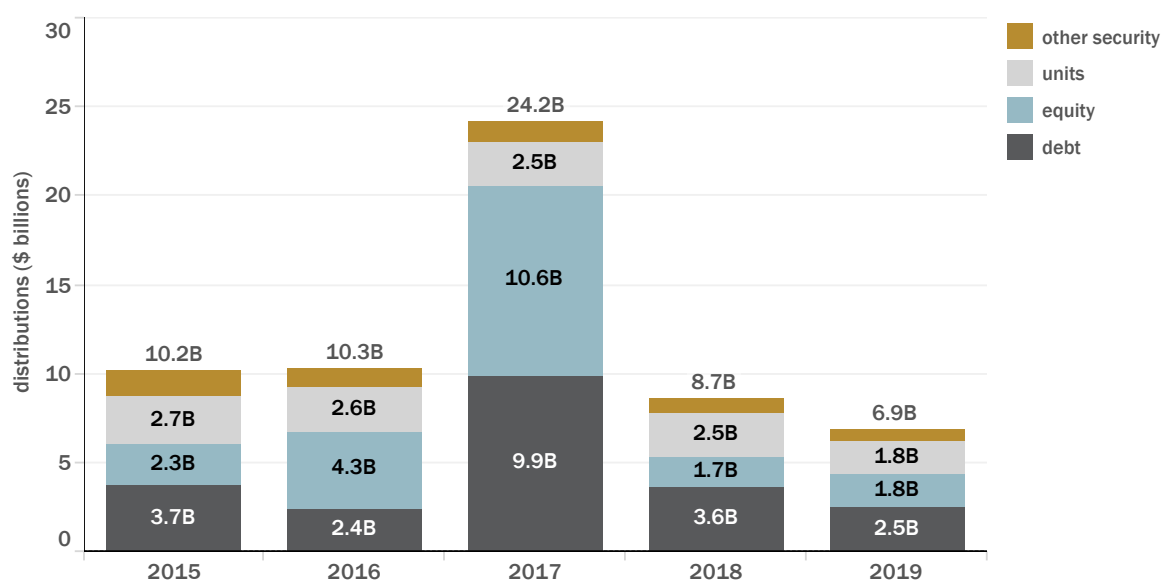


Chart 29 shows a broad breakdown by type of security distributed by Alberta-based issuers. In three of the past five years (based on distributions reported to date), debt securities were the most common type of securities issued. In 2019, \$2.5 billion was raised through the issuance of debt securities, representing 37 per cent of the total, down from the 2018 amount of \$3.6 billion. The amount of units issued in 2019 was also down from the five-year average. However, this may be at least partly due to the investment fund issuer data not yet being fully processed.

**Chart 30: Total raised in the prospectus-exempt market by Alberta-based issuers, by exemption**

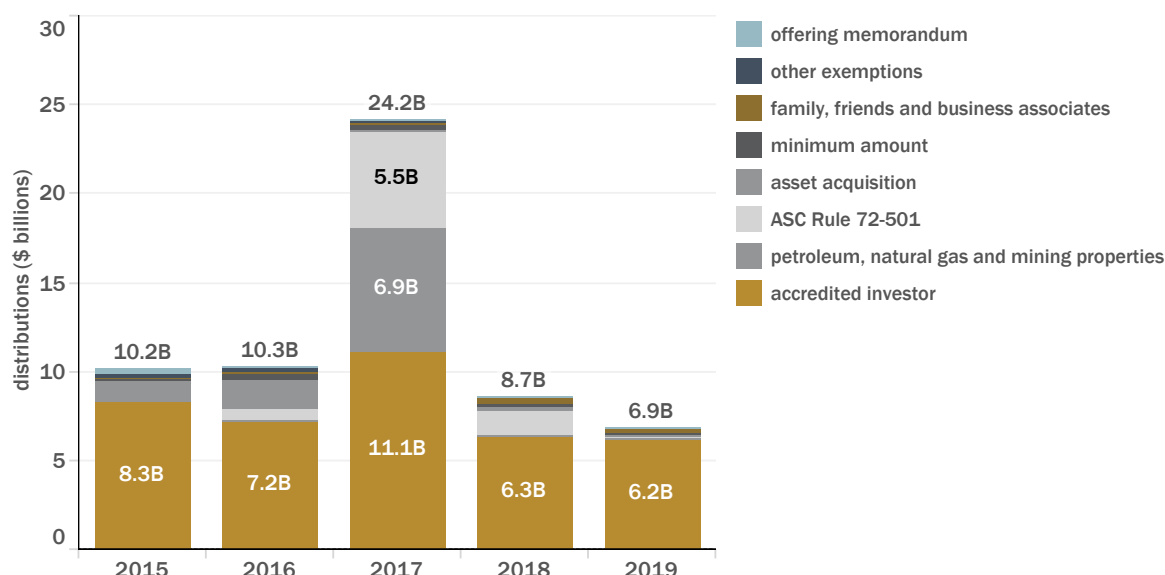


Chart 30 shows the capital raised by Alberta-based issuers in the prospectus exempt market, segmented by exemption.<sup>26</sup> The greatest amount of capital was raised under the accredited investor (AI) exemption at approximately \$6.2 billion in 2019 (90 per cent of the total), which is approximately equal to the 2018 amount. The second largest amount of capital raised by prospectus exemption was family, friends and business associates, and then ASC Rule 72-501,<sup>27</sup> which provides exemptions to facilitate distributions to investors outside of Canada. \$0.1 billion was raised under the offering memorandum (OM) exemption in 2019, which was also approximately equal to the 2018 amount.

Each of the exemptions shown in Chart 30 are available when specific conditions are met by the issuer. These conditions may be found in the relevant sections of National Instrument 45-106 *Prospectus Exemptions* and ASC Rule 72-501 *Distributions to Purchasers Outside Alberta*. However, exemptions shown in Chart 30 also depend on the circumstances of the purchaser, summarized in Table B (on the next page) as context to the data in this report.

<sup>26</sup> Specific examples shown in Chart 31 are Section 2.12 Asset Acquisition, Section 2.13 Petroleum, Natural Gas and Mining Properties, Section 2.3 Accredited Investor, Section 2.5 Family, Friends and Business Associates, Section 2.9 Offering Memorandum, Section 2.10 Minimum Amount Investment, as well as other exemptions available in National Instrument 45-106 *Prospectus Exemptions* and reported to the ASC under Part 6. ASC Rule 72-501 *Distributions to Purchasers Outside Alberta*, is also included in Chart 30.

<sup>27</sup> In August 2018, the ASC amended ASC Rule 72-501. The new rule expanded upon the exemptions available when an Alberta issuer seeks to distribute securities to investors outside of Canada. It also provides a prospectus exemption for distributions made under the OM exemption within Canada and an exemption for the resale of securities outside of Canada. See ASC Rule 72-501 *Distributions to Purchasers Outside Alberta*.

**Table B: Summary of certain qualifications for individual investors**

Exemption	Summary of certain provisions applicable to individuals
Accredited investor	Specified institutions as well as individuals who are accredited based on meeting specified income, net financial asset or net asset thresholds.
Family, friends and business associates	Investors who are a director, executive officer or control person of the issuer, or of an affiliate of the issuer, and specified family members, close personal friends or close business associates of such persons.
Offering memorandum	Investors who have received a valid Form 45-106F2 <i>Offering Memorandum</i> of the issuer and in the case of individuals are either purchasing not more than \$10,000 of securities under the offering memorandum exemption within a 12-month period (prior to April 30th, 2016 the limit was \$10,000 per distribution) or are an eligible investor based on meeting specified income or net asset thresholds. Effective April 30, 2016, eligible investors are limited to \$30,000 invested in a 12-month period, or \$100,000 if the investor receives advice <sup>28</sup> that the investment is suitable.
Minimum amount	Investors purchasing a minimum of \$150,000 of securities in a single transaction from a single issuer. Effective May 5, 2015 this exemption was no longer available to issuers distributing to individuals.
ASC Rule 72-501	The securities distributed cannot be beneficially owned by an Alberta resident.

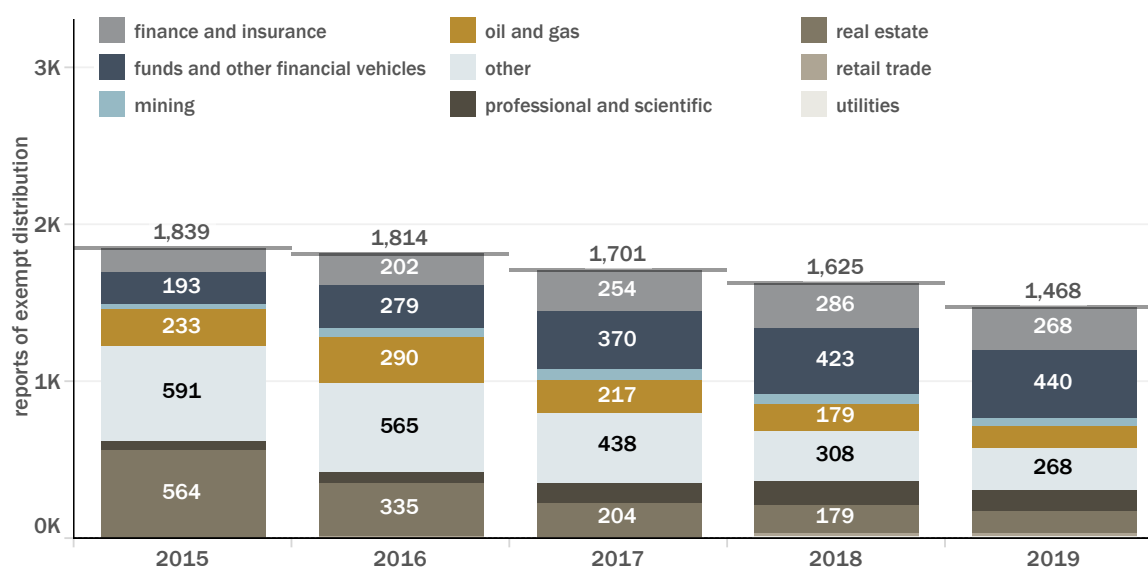
**Chart 31: Total number of reports of exempt distribution filed by Alberta-based issuers, by industry**

Chart 31 displays the number of reports of exempt distribution filed by Alberta-based issuers, segmented by industry. Overall, there were 1,468 reports of exempt distribution filed in 2019, a

<sup>28</sup> From a portfolio manager, investment dealer, or exempt market dealer registered under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

decrease of 9.7 per cent from the 1,625 recorded in 2018. The decreased number of reports continued a downward trend that began in 2015, a year in which total reports fell by 21 per cent from 2014 (not on the chart).

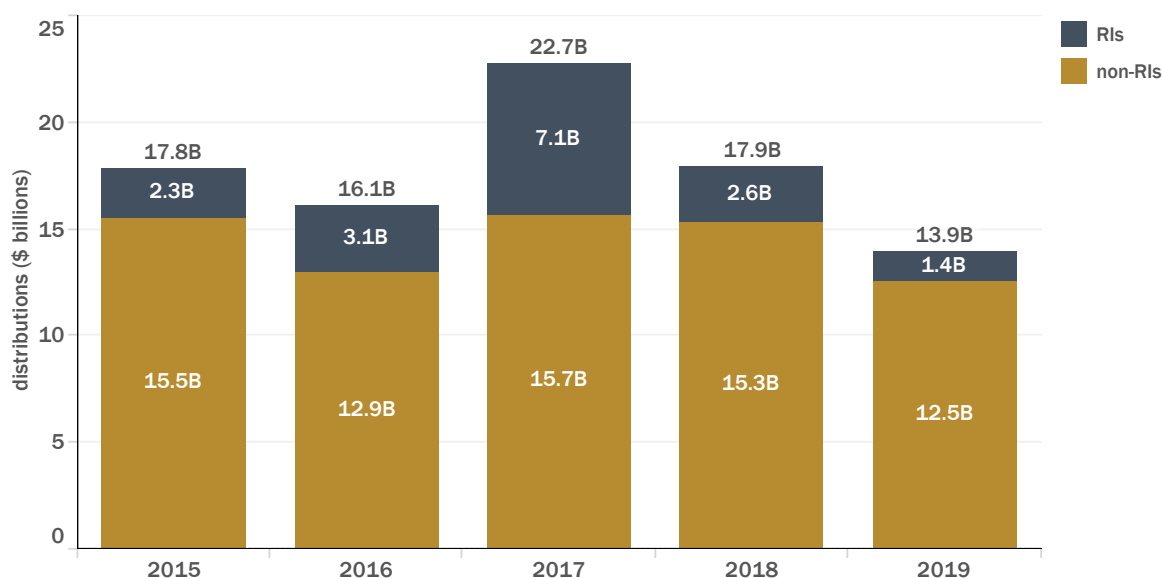
The greatest number of reports of exempt distribution in 2019 were filed by funds and other financial vehicles at 440, an increase of 4.0 per cent from the 2018 figure of 423. The industry category that filed the next greatest number of reports (besides other) was finance and insurance at 268, a decrease of 6.3 per cent from the 286 reports filed in 2018. Oil and gas issuers in Alberta filed 139 reports of exempt distribution in 2019, a decrease of 22 per cent from the 179 filed in 2018.

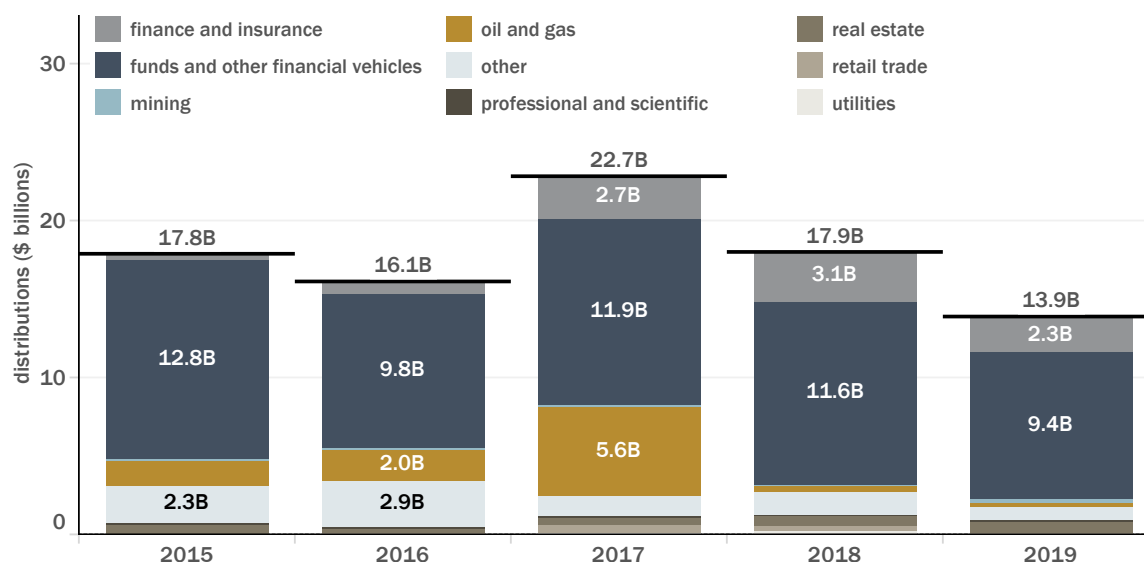
## INVESTMENTS IN THE PROSPECTUS-EXEMPT MARKET BY ALBERTANS

This section analyzes the capital invested by Albertans versus capital raised by Alberta issuers, which reveals some significant differences. As shown in Chart 31, the greatest proportion of investments by Albertans in the prospectus-exempt market from 2015-2019 was investment funds. As previously mentioned, the 2019 investment funds data is not yet complete therefore the discussion will focus mostly on 2018 and prior years' data.

Chart 32 shows a breakdown by Albertans' investments in reporting issuers versus non-reporting issuers in the prospectus-exempt market. In 2018, \$15.3 billion (85 per cent) out of a total \$17.9 billion raised was invested by Albertans in non-reporting issuers. The proportion of investment in non-reporting issuers by Albertans over the four years prior to 2019 was much greater than the comparable analysis of Alberta-based issuers shown in Chart 26, which showed that only 51 per cent of Alberta-based issuers were non-reporting in 2018 (21 per cent in 2017). The primary reason for the greater concentration of non-reporting issuers in Chart 32 is that investment funds distributing securities in the prospectus-exempt market tend to be non-reporting issuers.

**Chart 32: Total invested in the prospectus-exempt market by Albertans, by issuer reporting type**



**Chart 33: Total invested in the prospectus-exempt market by Albertans, by industry**

As shown in Chart 33, the greatest proportion of new capital from Alberta-based investors in 2015-2019 was invested in the funds and other financial vehicles industry. In 2018, \$11.6 billion (65 per cent) of investments by Albertans were in funds and other financial vehicles, compared with 52 per cent in 2017.

With information available to date, investments in oil and gas issuers decreased to \$0.2 billion in 2019 from \$0.4 billion in 2018, and investments in other industries decreased to \$0.8 billion in 2019 from \$1.4 billion in 2018. Note that the funds and other financial vehicles category is under-represented in the above chart as all of the data has yet to be processed for 2019. Based on filings received, an estimated \$0.5 billion of distributions to Albertans in 2019 are being processed, approximately half of which will likely be attributed to funds and other financial vehicles. These additional filings would bring the total for 2019 to \$14.4 billion and the total for funds and other financial vehicles to \$9.6 billion.



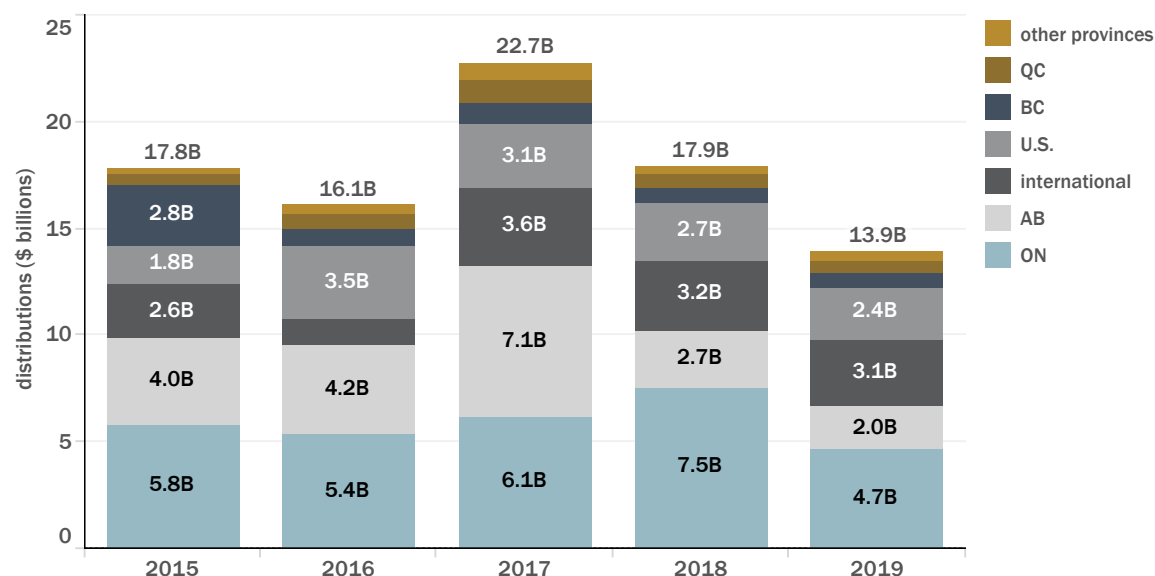
**Chart 34: Total invested in the prospectus-exempt market by Albertans, by issuer location**

Chart 34 shows the major jurisdictions in which Albertans invested in the prospectus-exempt market over the last five years. In 2018, the largest amount of capital, \$7.5 billion, was invested in issuers located in Ontario, which was approximately 42 per cent of the \$17.9 billion total raised. Of the information available for 2019, Albertans invested \$2.0 billion (15 per cent) in Alberta-based issuers and \$2.4 billion (17 per cent) in issuers located in the U.S. Note that investment fund issuers typically have head offices in Ontario therefore the 2019 amount for Ontario issuers in the above chart is likely to be revised upwards in subsequent reports when the complete set of data has been processed.

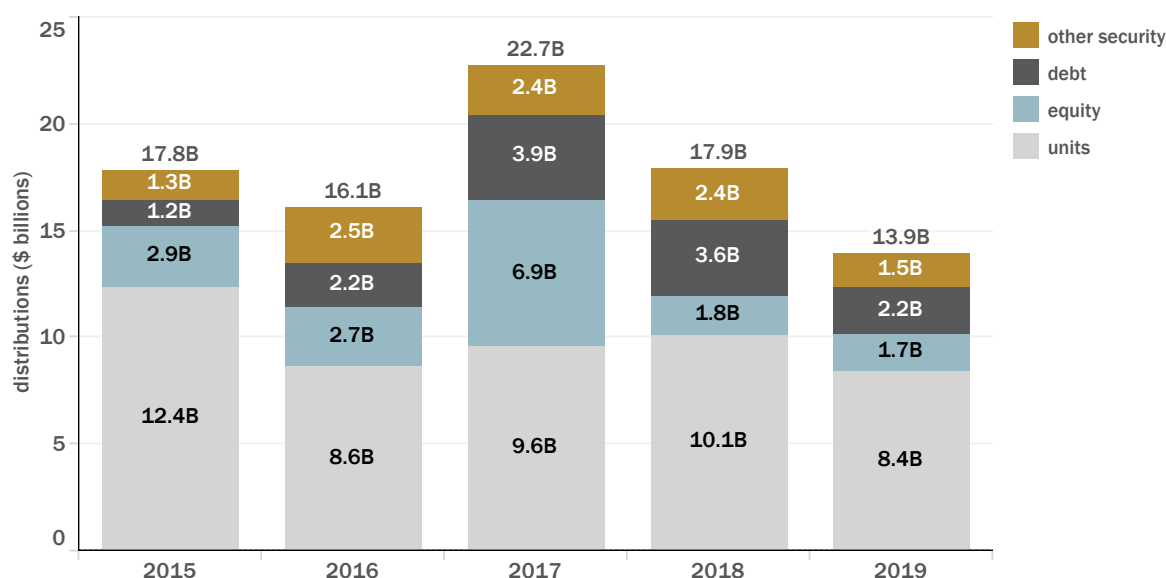
**Chart 35: Total invested in the prospectus-exempt market by Albertans, by security type**

Chart 35 segments total funds invested by Albertans by the type of security purchased. Based on the significant investment in investment funds, it is not surprising that the most purchased type of security was units in 2018, for a total of \$10.1 billion (56 per cent). Non-investment fund issuers typically raise capital through equity or debt securities. In 2019, \$2.2 billion of debt securities were purchased by Albertans in the prospectus-exempt market, 38 per cent less than the \$3.6 billion raised in 2018. In 2019, \$1.7 billion of equity securities were purchased by Albertans in the prospectus-exempt market, down 7.6 per cent from the \$1.8 billion invested in 2018. Note that the amount invested in units by Albertans in 2019 is likely to be revised upwards in subsequent reports as most of the unprocessed data is from investment fund issuers which typically issue securities in units.

**Chart 36: Total invested in the prospectus-exempt market by Albertans, by exemption relied on by issuer**

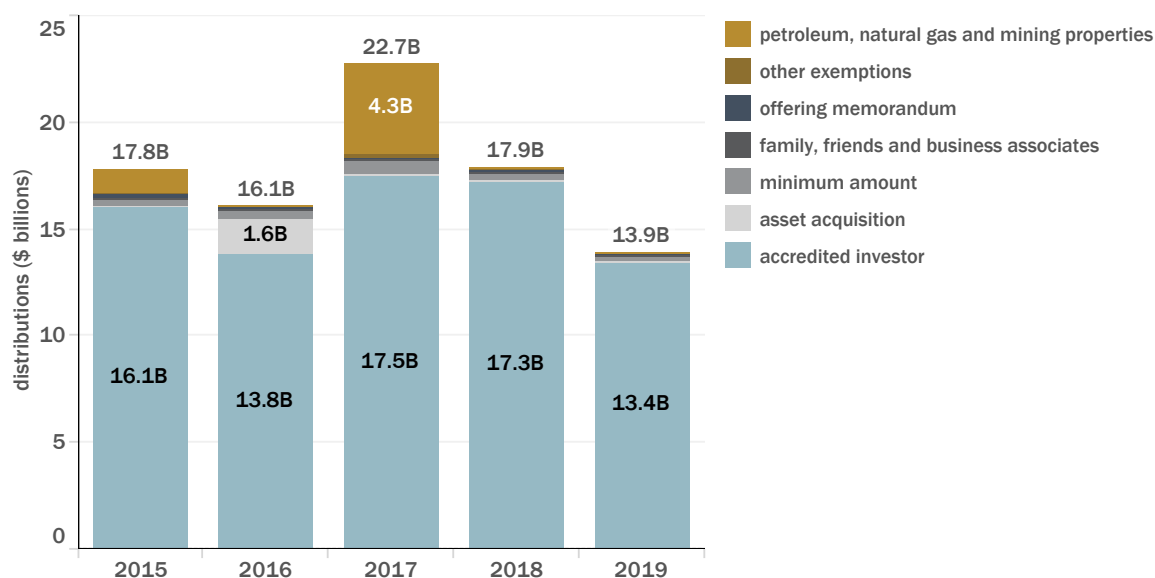
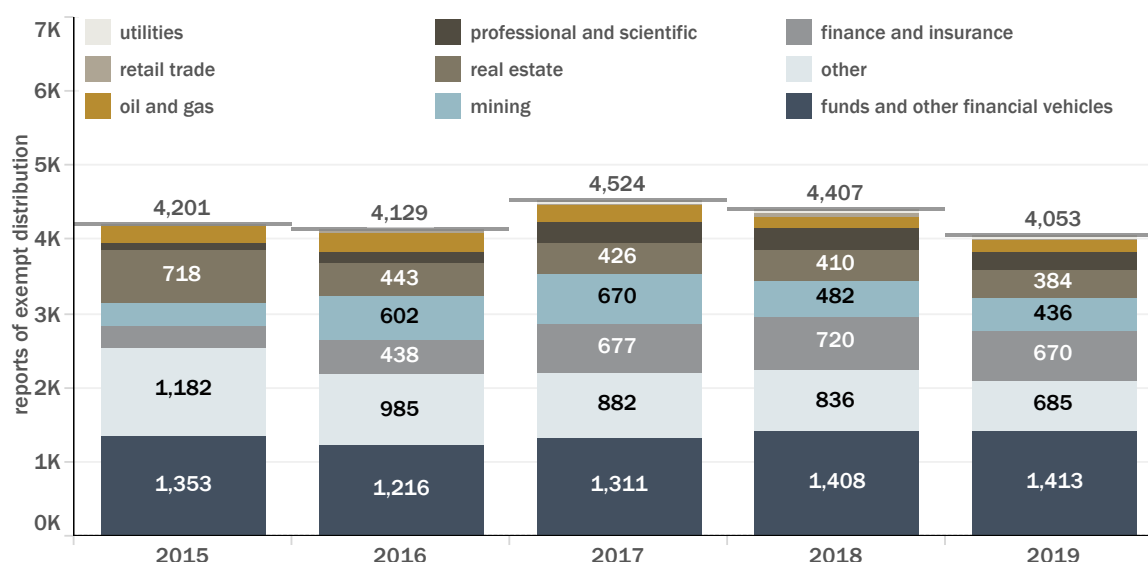


Chart 36 illustrates the dominant reliance on the accredited investor (AI) exemption by issuers to distribute prospectus-exempt securities to Albertans.<sup>29</sup> In 2018, \$17.3 billion (96 per cent) of the total \$17.9 billion was invested by Albertans who qualified as accredited investors. In 2019, using the information available to date, the accredited investor exemption was the exemption utilized by issuers to raise the greatest amount of capital, at \$13.4 billion, followed by the minimum amount exemption at \$0.2 billion.

<sup>29</sup> Although the conditions of some of the exemptions shown here (accredited investor, family, friends and business associates, minimum amount invested, offering memorandum and ASC Rule 72-501) are based on the investor, it is still the issuer that relies on the prospectus exemption to distribute the securities. See Table B on page 33 for a summary.

**Chart 37: Total number of reports of exempt distribution for Alberta investors, by industry**

In Chart 37, the number of reports of exempt distribution for Alberta investors is shown by industry. In 2018, 4,407 reports of exempt distribution were filed, a decrease of 2.6 per cent compared to the 2017 figure of 4,524. In 2018, the industry category that filed the most reports of exempt distribution was funds and other financial vehicles at 1,408 (32 per cent of the total), followed by the other category, and then the finance and insurance industry.

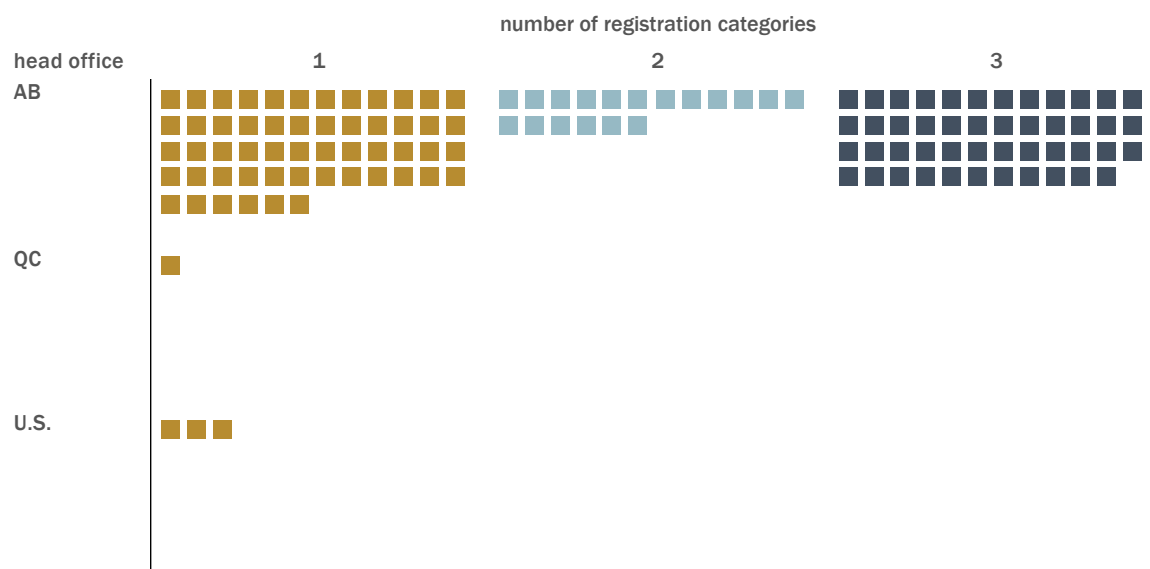
Using the information available to date, 4,053 reports of exempt distribution were filed in 2019, with the largest industry of issuance being funds and other financial vehicles at 1,413.<sup>30</sup>

<sup>30</sup> This number will likely increase as we are still processing a number of reports of exempt distribution.

# Registration

Market participants must register if they are in the business of trading or advising in securities or managing investment funds, unless the firm is able to rely on an available exemption.<sup>31</sup> There are several categories of firm registration. These include dealer categories, adviser categories and the investment fund manager category. This section provides an overview of the registered firms that are principally regulated by the ASC and the categories in which they are registered.

**Chart 38: Distribution of Alberta PR firms by number of registration categories**



As of December 31, 2019, there were 122 firms principally regulated in Alberta, versus 119 firms a year earlier. Chart 38 shows how many firms were registered in one, two or three categories, as of April 6, 2020. Of all Alberta PR registered firms, 58 firms (47 per cent) were registered in a single category (51 firms in 2018), 18 firms (15 per cent) were registered in two categories (20 firms in 2018) and 47 firms (38 per cent) were registered in three categories (48 firms in 2018). The firms registered in two categories were typically registered in the investment fund manager and either the portfolio manager or restricted portfolio manager category. The firms registered in three categories were typically registered in the exempt market dealer, investment fund manager, and either the portfolio manager or restricted portfolio manager category.

<sup>31</sup> See National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

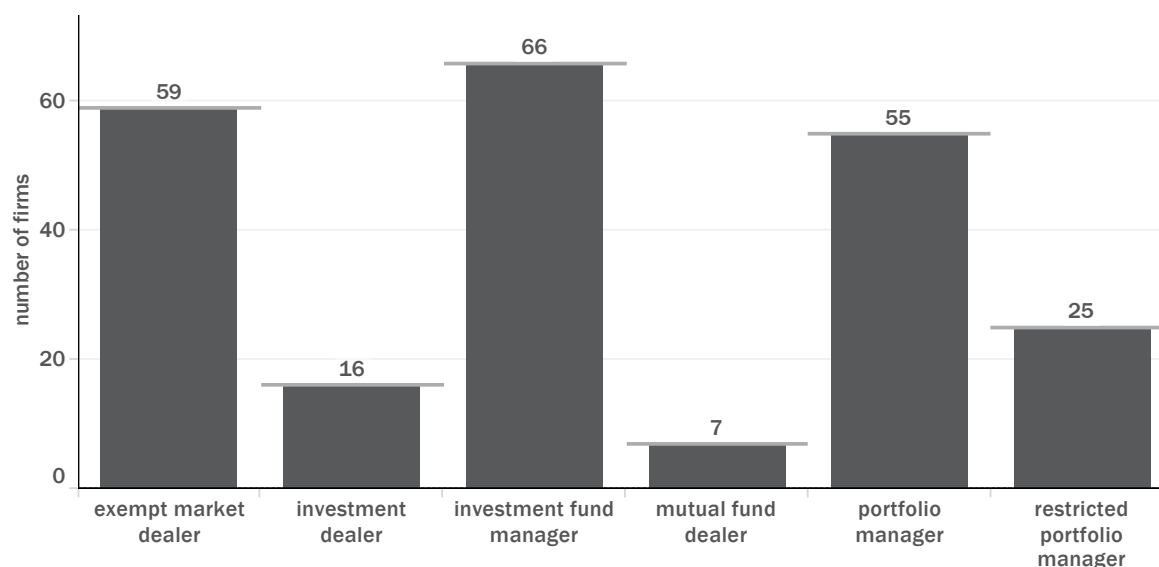
**Chart 39: Number of Alberta PR firms in each registration category**

Chart 39 shows the total number of registrations in each category.<sup>32</sup> Since firms may register in multiple categories, the sum of all registrations is not the same as the total number of firms principally regulated by the ASC. As of the date of this report, the most common category of registration among Alberta PR firms was investment fund manager, with 66 firms registered (compared to 69 in 2018), followed by exempt market dealer, with 59 firms registered (61 in 2018). The next most common was portfolio manager with 55 firms (53 in 2018) and restricted portfolio manager with 25 firms (29 in 2018). There were also 16 firms registered in the investment dealer category (15 in 2018) and seven firms registered in the mutual fund dealer category (seven in 2018).

<sup>32</sup> Categories with zero Alberta PR firms have not been shown.

# Energy Markets

**Chart 40: Energy transacted on NGX**

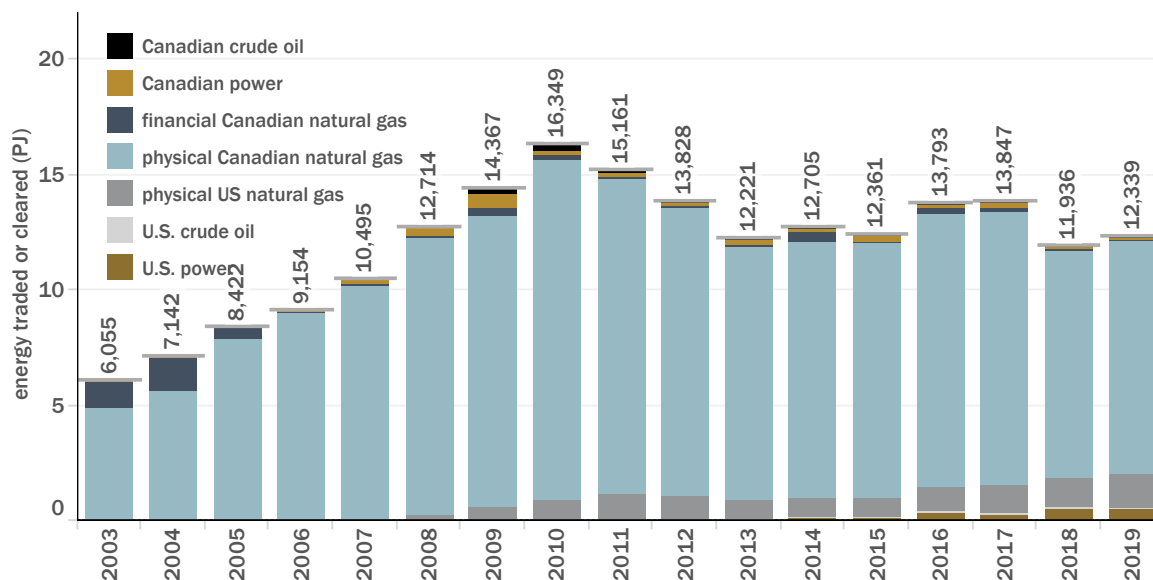


Chart 40 shows the total energy contracts traded or cleared on NGX each year since 2003.<sup>33</sup> Total volume transacted in 2019 increased 3.4 per cent to 12,339 PJ versus 2018 when 11,936 PJ was transacted across all natural gas, crude oil and power contracts. Combined, natural gas activity amounted to 94 per cent of the energy transactions on NGX in 2018, equivalent to the 2018 percentage. Physical Canadian natural gas (contracts with physical settlement) accounted for 82 per cent of total transactions in 2019, which totaled 10,136 PJ, up 3.0 per cent from 9,845 PJ in 2018. The second-largest volume of transactions was in physical U.S. natural gas, which totaled 1,414 PJ in 2019 (11 per cent of the total), 7.2 per cent greater than 2018 volumes of 1,319 PJ (11 per cent). Financial Canadian natural gas (i.e. contracts with financial settlement and no physical delivery) increased 159 per cent to 33 PJ (0.3 per cent) in 2019 from 13 PJ (0.1 per cent) in 2018. Canadian power contracts decreased by 2.0 per cent in 2019 to 197 PJ (1.6 per cent) of total volumes, down from 201 PJ (1.7 per cent) in 2018, while U.S. power totaled 559 PJ (4.5 per cent), equivalent to the 2018 amount.

<sup>33</sup> There are other regulated entities and trading venues in Alberta where commodities can be traded. This report only uses NGX data as an indicator of trading natural gas and power contracts.



# Appendix: Methodology

## LISTED ISSUER MARKETS

For the analysis of listed reporting issuers, data has been combined from ASC records, the TMX, SEDAR and Bloomberg. This allowed the report to include all listed reporting issuers in Alberta and conduct analysis by principal regulator, instead of head office location. This section summarizes how this combined data was created and highlights some differences between key fields.

### ASC records

The ASC maintains a record of all issuers reporting in Alberta, based on reporting by issuers on SEDAR, which includes issuers listed on the TSX, TSXV and other exchanges. This record includes the following fields of interest, among others:

- industry
- location of issuers' head office
- issuers' principal regulator
- the exchanges on which the issuer is listed

### TMX data

The TMX has data for issuers listed on the TSX and TSXV exchanges as of December 31 each year. The dataset includes the following fields of interest, among others:

- market capitalization at December 31
- industry, as defined by the TMX
- location of the issuers' head office
- whether the issuer graduated from the TSXV, in the case of TSX-listed issuers

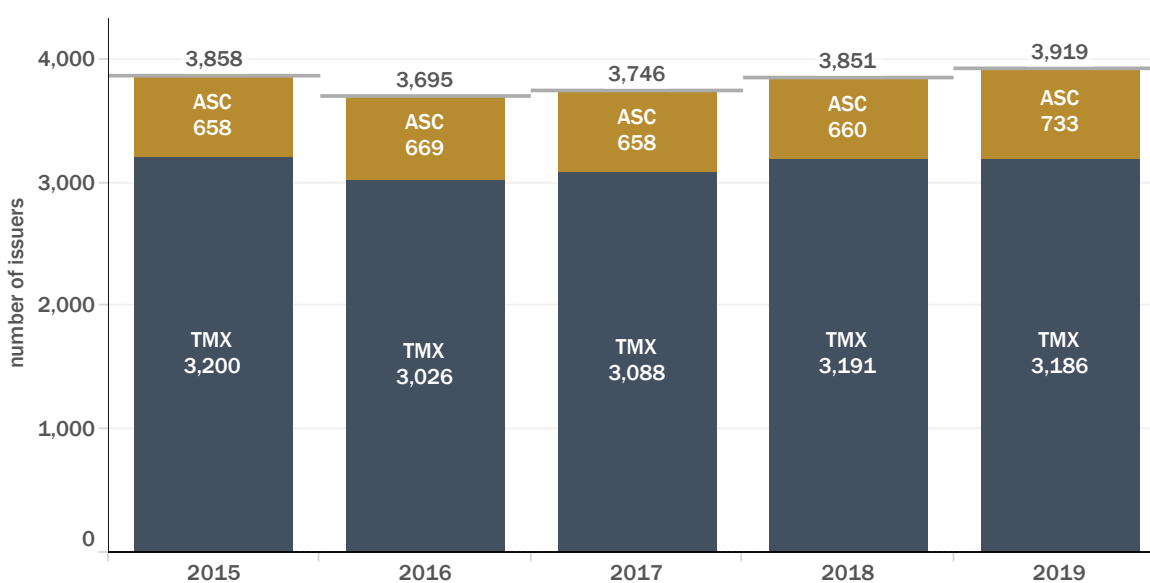
### Combined data

Table C shows the primary source for data used in the analysis of listed reporting issuers in this report.

**Table C: Data sources for combined dataset**

Data Field	Source
Market capitalization	TMX when available, otherwise Bloomberg, with foreign currencies converted into Canadian dollars as at December 31 based on the spot foreign exchange rate at the time. Also, the market capitalization from Bloomberg was used when it was more than two times the market capitalization from TMX.
Industry	TMX when available, otherwise SEDAR. TMX oil and gas, and diversified industries were segmented for this report based on the SEDAR industry selections.
Principal regulator	ASC records.
TSXV graduate	TMX.

As shown in Chart 41 and Chart 42, the combined data provides a more comprehensive picture of the total number of reporting issuers and the market capitalization of those issuers.

**Chart 41: Number of issuers by data source**

As shown in Chart 43, the number of issuers included in the data is about 22 per cent greater on average with the addition of reporting issuers listed on other exchanges. “TMX” indicates the number of issuers for which the data was sourced from the TMX, and “ASC” indicates the number of issuers for which the data was sourced from ASC records for the purposes of this report.

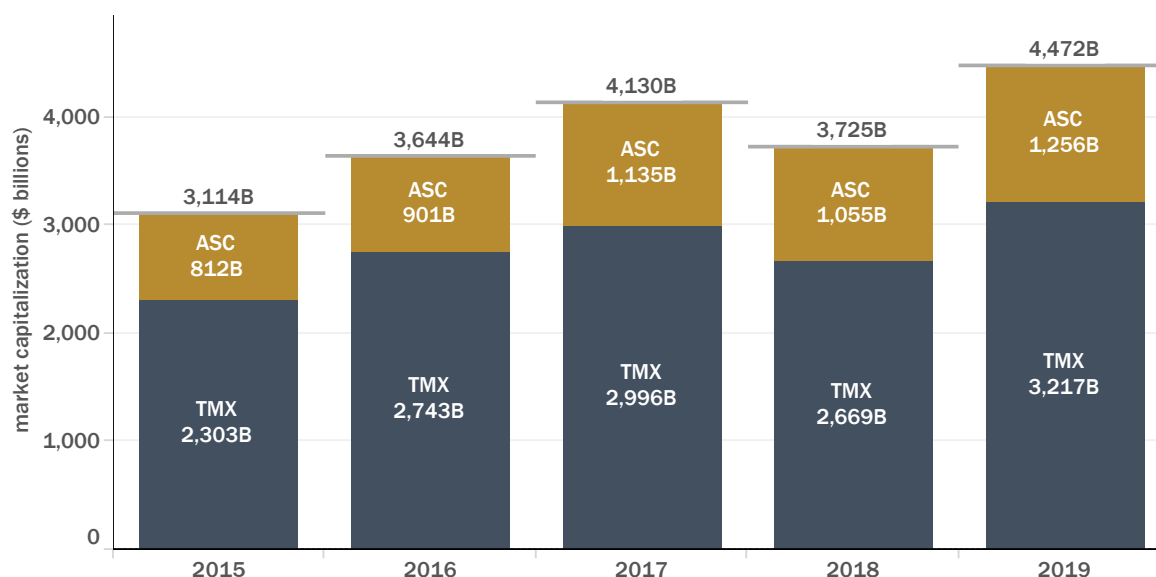
**Chart 42: Market capitalization of issuers by data source**

Chart 42 shows that the total market capitalization of all issuers included in the data is about 39 per cent greater on average with the addition of reporting issuers listed on other exchanges.

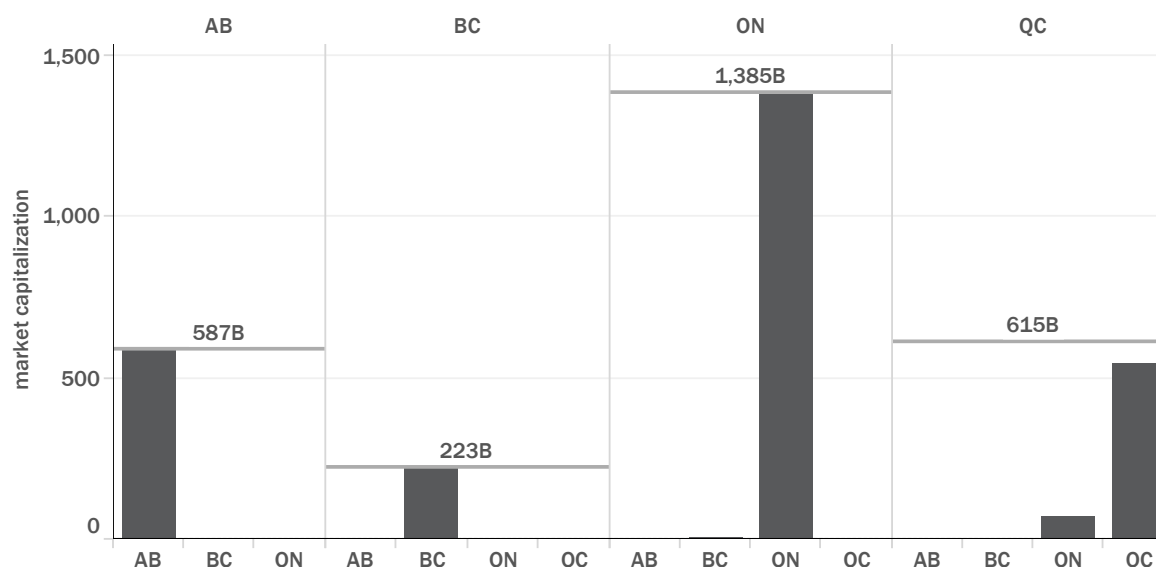
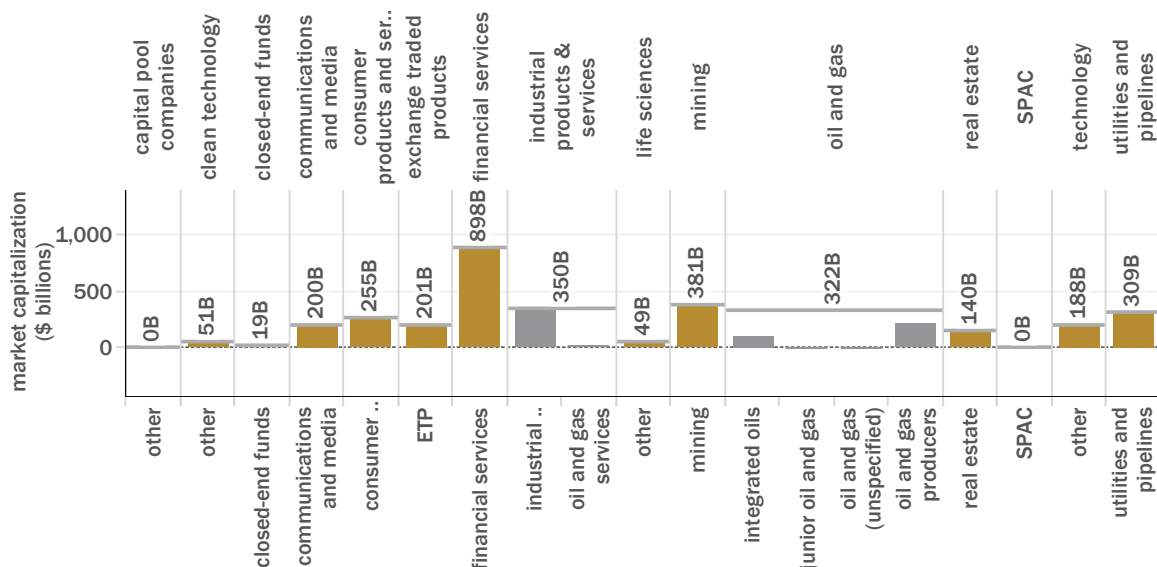
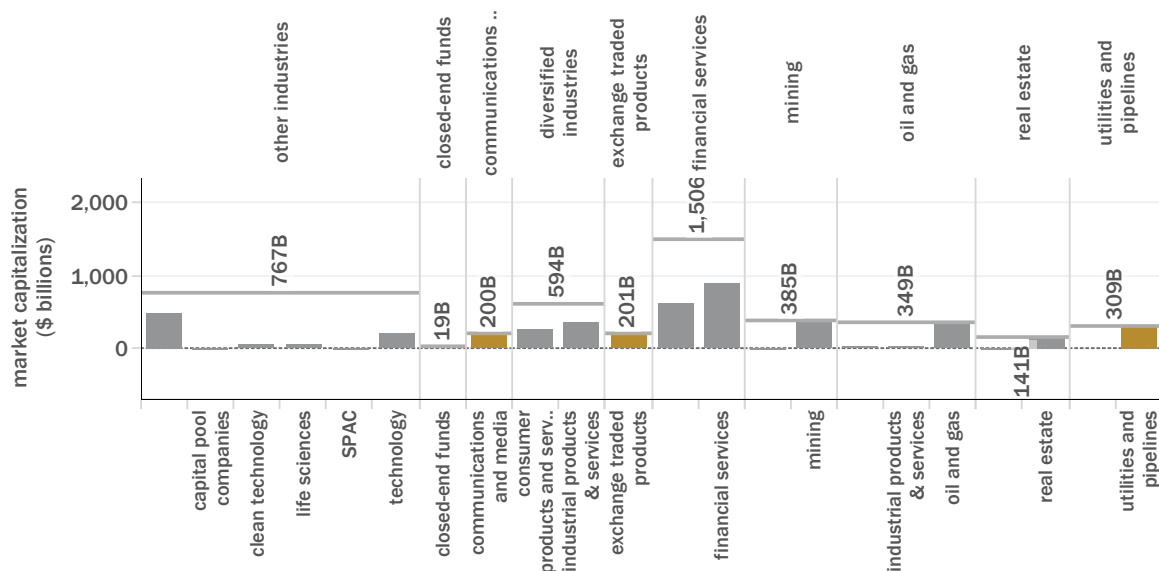
**Chart 43: Total market capitalization by SEDAR head office (top) and PR (bottom) for 2019**

Chart 43 shows total market capitalization of issuers in 2019 with the SEDAR-reported head office on the top axis and the PR on the bottom axis. There are relatively few cases where the two are not the same, with the most noticeable exception being one large issuer headquartered in Quebec with Ontario as the PR. While this report has been prepared on the basis of PR instead of head office location as in prior reports, the overall conclusions drawn on the basis of PR should apply to the head office as well.

**Chart 44: Total market capitalization by TMX industry (top) vs. SEDAR (bottom) for 2019**

The industry classifications used by the TMX and SEDAR are different, with greater segmentation in the SEDAR sub-categories. For those issuers listed on the TSX or TSXV exchanges, the TMX classification was chosen, with two notable exceptions for the purposes of analysis of the oil and gas industry. All oil and gas issuers are grouped by the TMX in one category, while SEDAR has four sub-sectors: integrated oils, junior oil and gas, oil and gas producers and oil and gas services. Where oil and gas issuers in the TMX data could be mapped to SEDAR, the SEDAR industry classification was used for the purposes of greater segmentation. The TMX also includes oil and gas services in diversified industries and industrial products & services. For the purposes of this report, these issuers were reclassified where possible to oil and gas services. In aggregation, oil and gas services were included in the oil and gas category for purposes of this report, not in diversified industries.

Chart 44 shows the effect of this reclassification for issuers in the TMX dataset, on the basis of market capitalization for 2019, with the differences between the TMX and SEDAR classifications distinguished by colour. The TMX industries are listed on the top axis and SEDAR industries are listed on the bottom. Note that certain TMX industry categories were classified into other for purposes of this report.

**Chart 45: Total market capitalization by SEDAR industry (top) vs. TMX (bottom) for 2019**

Note: blanks show additional reporting issuers not classified by the ASC into TMX classifications.

For reporting issuers listed on other exchanges, the SEDAR industry classification was used, with the placement of issuers into the existing TMX classification where the categories seemed to be consistent. All additional categories were moved to other.

Chart 45 shows the main differences of this placement, on the basis of market capitalization, for all reporting issuers in 2019. The SEDAR classification is shown on top (with sub-categories aggregated) and the TMX category on the bottom. Note that there are several blanks on the bottom axis. These blanks represent issuers listed on other exchanges where the SEDAR-reported industry could not be mapped to an equivalent TMX industry.

## PROSPECTUS FINANCINGS

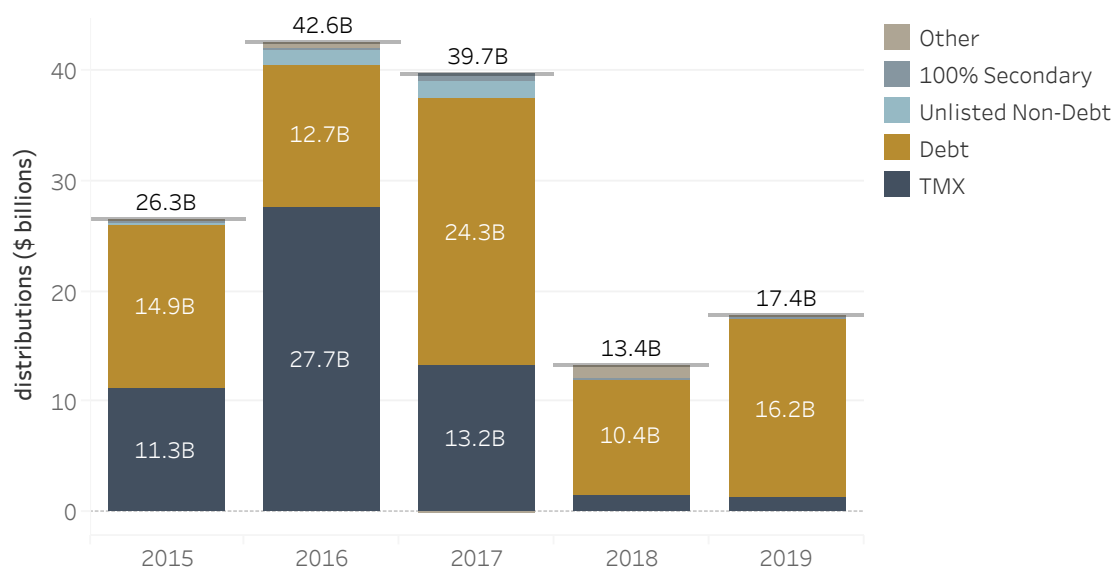
**Chart 46: TMX financing data reconciliation to ASC filings**

Chart 46 displays the differences between the Alberta issuer financing data sourced from the TMX Group and the data sourced from ASC filings for prospectus distributions. The total for each year corresponds to the total of prospectus distributions reported to the ASC. Note that this comparison does not include information for exempt distributions.

As shown in the chart, the primary difference between the two sources is debt financings (not including convertible debentures), which the TMX data does not include. Debt financings makes up predominantly the entire difference in 2019, compared to 88 per cent in 2018. Additional differences that occur in other years are that the ASC data includes prospectus offerings for non-listed securities (e.g. Trans Canada Trust), secondary offerings (i.e. when existing shareholders sell their shares via prospectus), and when applicable, non-TMX offerings from other exchanges such as the Canadian Securities Exchange (CSE). Other minor variances include differences in the exchange rates used to calculate amounts raised for non-Canadian offerings and whether over-allotment options were captured in the data or not.

## Contact Information

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