

The Alberta Capital Market:  
A Comparative Overview

2007  
Report

Alberta  
Securities  
Commission  
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# 1. Introduction

Approximately four years ago, the Alberta Securities Commission (ASC) undertook a review of Alberta's capital market. This research project, the Alberta Capital Market Project, was undertaken to focus and enhance the regulatory efforts of the ASC through the acquisition of better insights into the capital market regulated by the ASC. The information gathered has been used to help identify priorities for the ASC and provide background information for projects and rules, including those relating to continuous disclosure, corporate governance, prospectuses and capital raising in the exempt market.

The first iteration of this report, "The Alberta Capital Market: A Comparative Overview" was released in March 2004 (the "2004 Report"<sup>1</sup>). We prepared a second report (the "2006 Report"<sup>2</sup>) last May comparing December 2005 data to the data contained in the 2004 Report. This update to the 2006 Report consists of an overview of companies listed on the Toronto Stock Exchange (TSX)—Canada's senior equities market—and the TSX Venture Exchange (TSXV)—Canada's junior equities market. The report reviews the number, size (by market capital) and industry classifications of public companies<sup>3</sup> with publicly listed securities on these two exchanges<sup>4</sup>. It also reviews Alberta's market relative to the markets in British Columbia, Ontario and Québec. The report focuses on these four provinces as public companies based in these jurisdictions represent 92% of all public companies listed on the two exchanges (2004 Report - 92%, 2006 Report - 93%) and 86% of the aggregate market capital of companies listed on those exchanges (2004 Report - 83%, 2006 Report - 86%).

## 2. Executive Summary

Through the examination of information respecting public companies listed on the TSX and TSXV, the following findings were made:

- The aggregate market capital of companies listed on the TSX and TSXV has grown by 13% (from \$1.87 trillion to \$2.12 trillion) since the 2006 Report, and 81% (from \$1.17 trillion) since the 2004 Report. Comparing the TSX to other major exchanges, between the end of 2003 and the end of 2006, the World Federation of Exchanges shows 91% growth in the TSX, 36% growth in the NYSE and Nasdaq, and 54% growth in the London Stock Exchange<sup>5</sup>.
- The aggregate market capital of Alberta-based companies listed on the two exchanges has grown 13% (from \$494 billion to \$558 billion) since the 2006 Report—21% of the growth in aggregate Canadian market capital since the 2006 Report is attributable to the growth associated with Alberta-based companies.
- Canadian-based companies represent approximately 96% of the companies listed on the two exchanges (unchanged from 2006 Report) and 92% of the aggregate market capital of public companies (unchanged from 2006 Report). Foreign companies do not currently represent a significant component of TSX or TSXV listings (see discussion of Table A).
- The largest provincial markets (based on aggregate market capital of companies with head offices in the respective provinces) are Ontario at 41% (down 1% from the 2006 Report), Alberta at 26% (unchanged from 2006 Report), Québec at 11% (down 1% from the 2006 Report), and British Columbia at 8% (up 2% from the 2006 Report).

1 The 2004 Report was based on TSX data as at August 31, 2003 and TSXV data as at September 30, 2003.

2 The 2006 Report was based on TSX and TSXV data as at December 31, 2005.

3 In this report, the term "company" means company, trust or partnership. The analysis in the report is limited to companies listed on the TSX or TSXV.

4 This update is based on TSX and TSXV data as at December 31, 2006.

5 World Federation of Exchanges 2006 Market Highlights and 2004 Annual Report and Statistics.

- Alberta's market has maintained its significant position within the Canadian capital markets. Specifically:
  - Alberta's capital market is second only to Ontario's in terms of aggregate public company market capital, and almost 2.5 times greater than that of Québec which is the next most significant jurisdiction; and
  - Alberta has the third largest number of publicly listed companies after Ontario and British Columbia. Alberta is second only to Ontario with respect to the number of TSX listed companies and third after both British Columbia and Ontario with respect to TSXV listed companies (unchanged from 2006 Report).
- Alberta's public equities market is a tiered market with a relatively even distribution of small, medium and large companies. Although roughly 58% of Alberta-based public companies are listed on the TSXV (2006 Report - 57%), the aggregate market capital of TSX listed companies represents 98% of the total market capital of Alberta-based public companies (unchanged from 2006 Report).
- Canada's public equities market is also a tiered market.
- Based on aggregate market capital, the oil & gas industry is the second most significant industry in Canada, with financial services and diversified industries filling the first and third positions, respectively (2006 Report - oil & gas, first, followed by financial services and diversified industries); and it is by far the most significant industry in Alberta, almost seven times bigger than diversified industries, the next largest category in Alberta. Forty-two percent of Alberta-based public companies are engaged in oil & gas (2006 Report - 44%). Further, oil & gas public companies represent 75% of the aggregate market capital in Alberta (2006 Report - 76%). In contrast, 11% of all public companies listed in Canada (2006 Report - 12%), representing 25% of the aggregate market capital (2006 Report - 29%), are engaged in the oil & gas industry.
- Based on numbers of public companies, the mining industry is also quite significant within Canada, representing 35% of the number of public companies (2006 Report - 34%), although only 15% of the aggregate market capital (2006 Report - 11%). In comparison, the mining industry is less significant in Alberta, representing only 12% of Alberta-based public companies (2006 Report - 11%) and 2% of the aggregate market capital (unchanged from the 2006 Report).
- Alberta's public equities market is quite distinct from other provincial markets. In fact, each of the provincial markets is distinct from the others. For example:
  - Although Alberta and British Columbia are both known for having strong junior markets, there are 59% more companies in Alberta's senior market (companies with over \$100 million in market capital) than in British Columbia, although that gap has decreased since the 2006 Report when Alberta had 110% more companies than British Columbia in the senior market. Conversely, British Columbia has significantly more smaller companies than Alberta—88% of British Columbia-based companies have a market capital of under \$100 million (2006 Report - 90%), while in Alberta, 67% of companies have under \$100 million of market capital (2006 Report - 65%).
  - Alberta and British Columbia are also quite different with respect to the types of public companies located in the two provinces. The principal industry classifications of Alberta's public companies are oil & gas, followed by diversified industries. In comparison, British Columbia's principal industries are mining followed by technology and diversified industries. Technology and mining combined represent only 2% of the aggregate market capital of Alberta public companies (2006 Report - 3%).

- With 11% of the aggregate market capital of public companies (2006 Report - 12%), Québec has a lower aggregate market capital than Alberta by more than half. The average market capital of Québec public companies is lower than Alberta public companies as well—\$636 million in Québec vs. \$768 million in Alberta (2006 Report - \$583 million in Québec vs. \$677 million in Alberta). Although both Québec and Alberta public companies have a significant representation in the diversified industries category, the oil and gas industry has virtually no representation in Québec. Instead, Québec has a significant number of public companies engaged in the mining sector.
- Ontario and Alberta have a similar number of junior public companies listed on the TSXV—466 and 420, respectively (2006 Report - 444 and 419, respectively); however, Ontario has many more public companies listed on the TSX than does Alberta—744 and 307, respectively (2006 Report - 718 and 301, respectively) and a larger aggregate market capital than Alberta. Based on aggregate market capital, the most significant industries among Ontario public companies are financial services at 50% and diversified industries at 15% (2006 Report - 49% and 16%, respectively). Alberta's primary industry, oil & gas, forms a comparatively small part of Ontario's aggregate capital market at only 3% (2006 Report - 6%<sup>6</sup>).
- Income trusts represent almost 9% of the aggregate market capital in Canada and 7% of the listings on the TSX and TSXV (2006 Report - 10% and 6%, respectively). The aggregate market capital associated with income trusts has grown 7% and the number of income trusts has grown by 13% since the 2006 Report. These figures stand in sharp contrast to the growth between the 2004 and 2006 Reports where we saw 180% growth in the aggregate market capital associated with income trusts and an 84% rise in the number of income trusts.
- Income trusts represent 19% of the aggregate market capital of Alberta-based companies and 13% of the total number of Alberta-based companies (2006 Report - 23% and 12%, respectively). Since the 2006 Report, with respect to Alberta-based income trusts, aggregate market capital has decreased by 6%, while the number of trusts has increased by 8%. Again, the dramatic growth between the 2004 Report and 2006 Report bears mention. During that period, Alberta-based income trusts saw their aggregate market capital grow by 256% and the number of trusts increase by 87%.

### 3. Methodology

With the exception of information from the World Federation of Exchanges that is referenced for comparative purposes in item 1 under the heading "Significant Observations," all of the information presented in this report has been derived from comprehensive spreadsheets provided by TSX Group Inc.<sup>7</sup> The spreadsheets contain key information respecting every public company listed on either of the two exchanges, including the market capital for each company as at December 31, 2006. The TSX Group Inc. calculates market capitalization for each company by multiplying the number of outstanding shares by the closing price, in this case, on December 31, 2006.

The compiled information does not take into account reporting issuers that are not listed on either the TSX or TSXV. In addition, for purposes of the market capital calculations, the closing price of companies that were halted or suspended from trading on either of the exchanges is deemed to be \$0 unless the relevant stock traded at some time during 2006, in which case the market Cap calculation is based on the last closing price in 2006.

<sup>6</sup> This dramatic decrease in Ontario-based market capital attributable to the oil & gas industry appears to be largely a result of Imperial Oil having moved its head office from Ontario to Alberta.

<sup>7</sup> TSX Group Inc. has not reviewed or endorsed this report.

## 4. Findings

### **International Representation in the Canadian Capital Market**

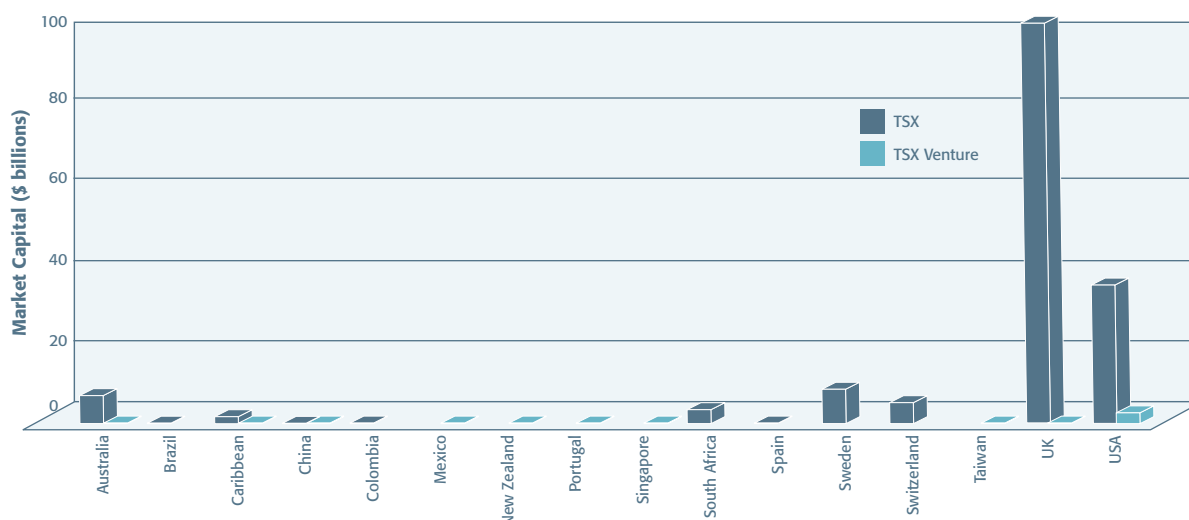
Table A below provides an indication of the degree to which international public companies are represented in the Canadian capital market. Canadian-based public companies represent approximately 92% (unchanged from 2006 Report) of the aggregate \$2.12 trillion market capital and 96% of the head offices of the 3,841 public companies listed on the TSX and TSXV (unchanged from 2006 Report). Although representation of foreign public companies has not changed in terms of aggregate market capital on the two exchanges, the degree to which certain countries are represented has changed. For example, as compared to the 2006 Report, the amount of market capital represented by the UK decreased by 9% (moving from \$112 billion to \$101 billion) and four countries saw dramatic increases in their representation of aggregate market capital—South Africa (1145%), Australia (526%), Switzerland (502%) and Sweden (224%). The UK and US still have the largest representation at 5% and 2%, respectively (2006 Report - 6% and 2%).

**Table A International Representation in the Canadian Capital Market**

| Country     | Number of Public Companies | Total Market Capital (\$) | Country      | Number of Public Companies | Total Market Capital (\$) |
|-------------|----------------------------|---------------------------|--------------|----------------------------|---------------------------|
| Australia   | 12                         | 6,787,623,749             | Singapore    | 1                          | 0                         |
| Brazil      | 1                          | 29,759,644                | South Africa | 6                          | 3,778,121,978             |
| Canada      | 3,673                      | 1,949,574,727,513         | Spain        | 1                          | 470,338,984               |
| Caribbean   | 8                          | 1,536,328,122             | Sweden       | 1                          | 8,603,480,534             |
| China       | 4                          | 20,010,637                | Switzerland  | 2                          | 5,168,367,433             |
| Colombia    | 1                          | 361,000,000               | Taiwan       | 1                          | 20,611,478                |
| Mexico      | 1                          | 499,504,728               | UK           | 16                         | 101,615,006,047           |
| New Zealand | 1                          | 61,081,431                | USA          | 111                        | 37,753,865,389            |
| Portugal    | 1                          | 2,962,512                 | <b>Total</b> | <b>3,841</b>               | <b>2,116,282,790,179</b>  |

The following Chart 1 illustrates the comparative distribution of market capital attributed to foreign public companies on the TSX and TSXV. Virtually all foreign market capital (98%) is found at the TSX level (2006 Report - 99%).

**Chart 1 Distribution of Aggregate Market Capital by Country and Exchange**



### Provincial Representation in the Canadian Capital Market

The distribution of market capital represented by provincial markets is illustrated in Chart 2. Ontario has the largest aggregate market capital at \$866 billion or 41% (2006 Report - \$790 billion or 42%) followed by Alberta at \$558 billion or 26% (2006 Report - \$494 billion, also 26%) and Québec at \$234 billion or 11% (2006 Report - \$216 billion or 12%). The aggregate market capital in British Columbia is \$170 billion or 8% (2006 Report - \$116 billion or 6%). Together, these four provinces represent 86% of the aggregate market capital in Canada (unchanged from 2006 Report).

**Chart 2 Distribution of Aggregate Market Capital by Province**

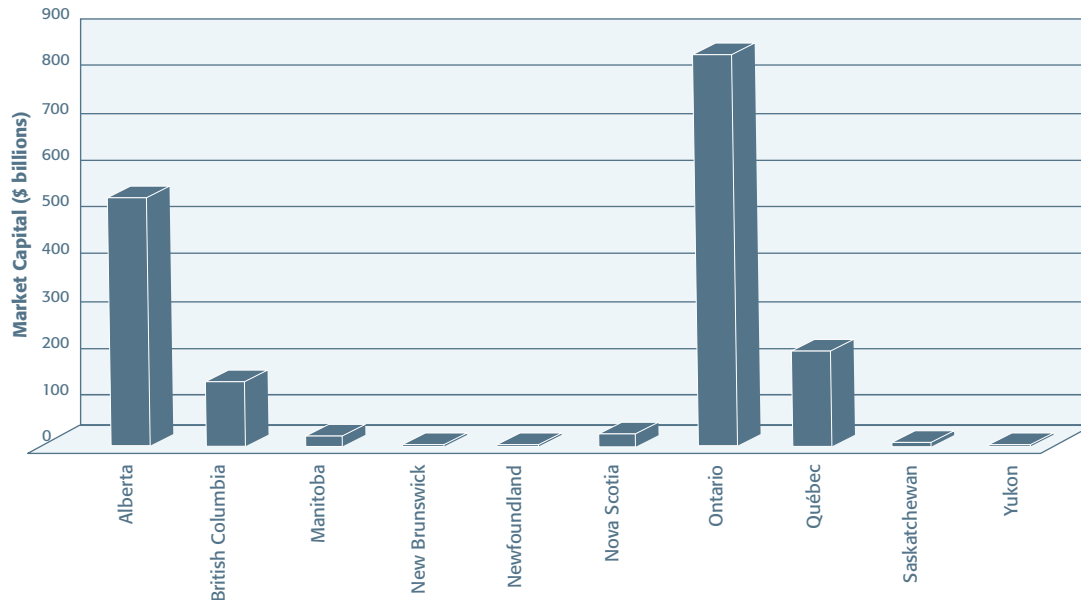
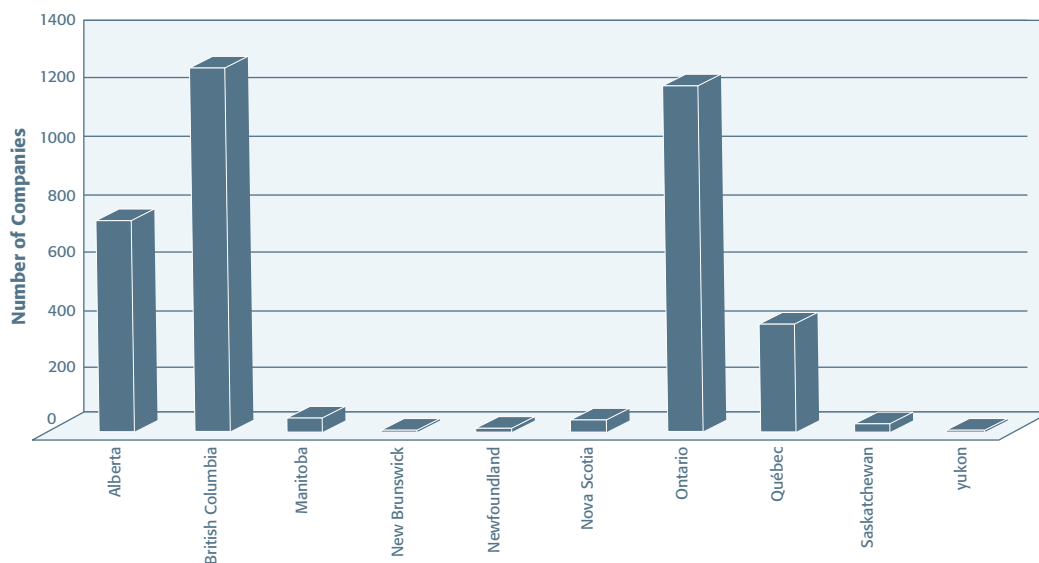


Chart 3 illustrates that these four provinces are also home to 92% or 3,542 of the total 3,841 public companies listed on the two exchanges (2006 Report - 93%, 3,478 and 3,753, respectively).

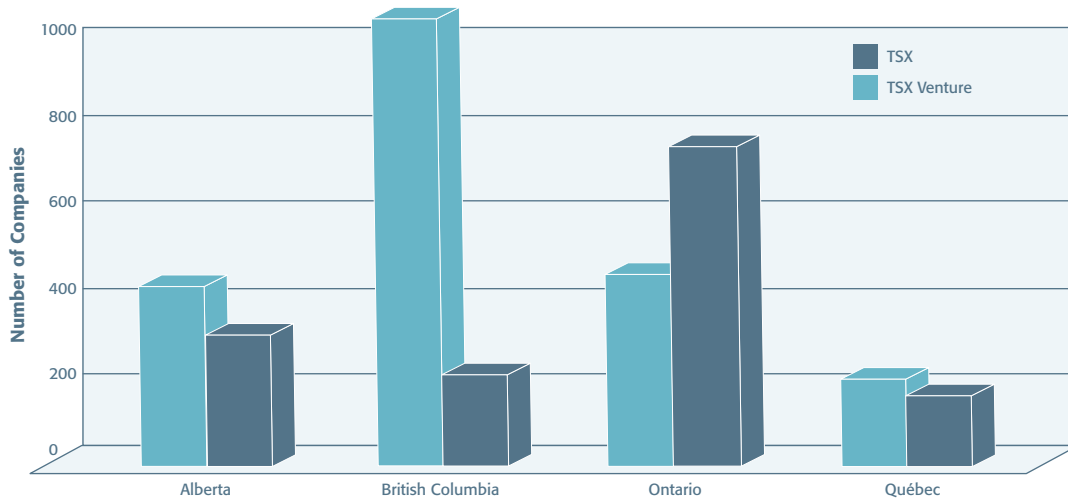
**Chart 3 Distribution of Head Offices by Province**





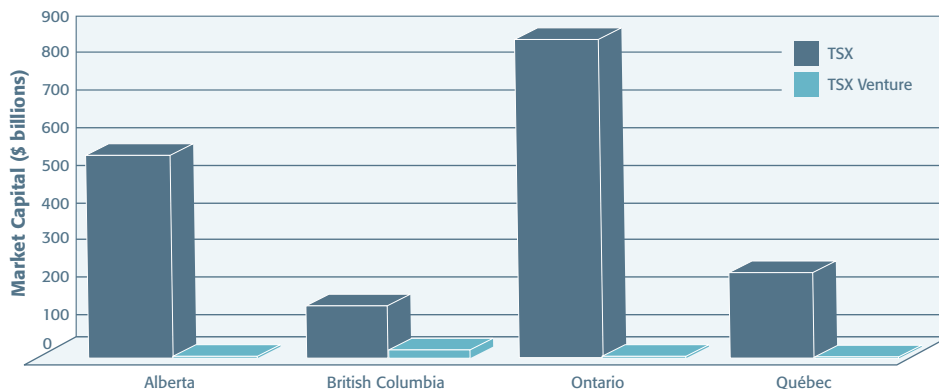
The comparative representation of public companies on the TSX and TSXV in each of Alberta, British Columbia, Ontario and Québec is demonstrated in Chart 4. Alberta has the second largest number of companies (19%) listed on the TSX following Ontario (47%) and the third largest number of companies (19%) listed on the TSXV following BC (47%) and Ontario (20%). In total, Alberta-based companies represent 19% of the listings on the two exchanges, with BC at 33%, Ontario at 31% and Québec at 10% (2006 Report - AB: 20%, BC: 32%, ON and PQ unchanged).

**Chart 4 Distribution of Head Offices by Province and Exchange**



Viewing Chart 4 and Chart 5 together shows that out of the four provinces, British Columbia has the largest number of head offices and yet the smallest aggregate market capital. Although Alberta has less than two thirds the number of head offices as British Columbia, the aggregate market capital of those Alberta public companies is more than three times larger than that of British Columbia companies (2006 Report - AB was just over four times larger than British Columbia), placing Alberta second in Canada behind Ontario for aggregate market capital.

**Chart 5 Aggregate Market Capital by Province and Exchange**



Based on market capital, Chart 6 illustrates that Alberta and Ontario have nearly identical representation on the TSXV. Further, Alberta's representation on the TSX shows the ratio of larger companies to small and mid-sized companies being much larger (21:1) than in Ontario (5:1). Chart 6 also shows that the capital market structure (i.e., the representation of different sizes of public companies) on the two exchanges is quite different as between Alberta and British Columbia. British Columbia has 374 companies listed on the TSXV that have market capital of less than \$5 million (2006 Report - 522). Alberta has 157 companies in that category (2006 Report - 169). Conversely, Alberta has 293 companies listed on the TSX, each with market capital over \$25 million (2006 Report - 295), whereas British Columbia has 182 public companies in that category (2006 Report - 162).

**Chart 6 Distribution of Market Capital by Province and Exchange**

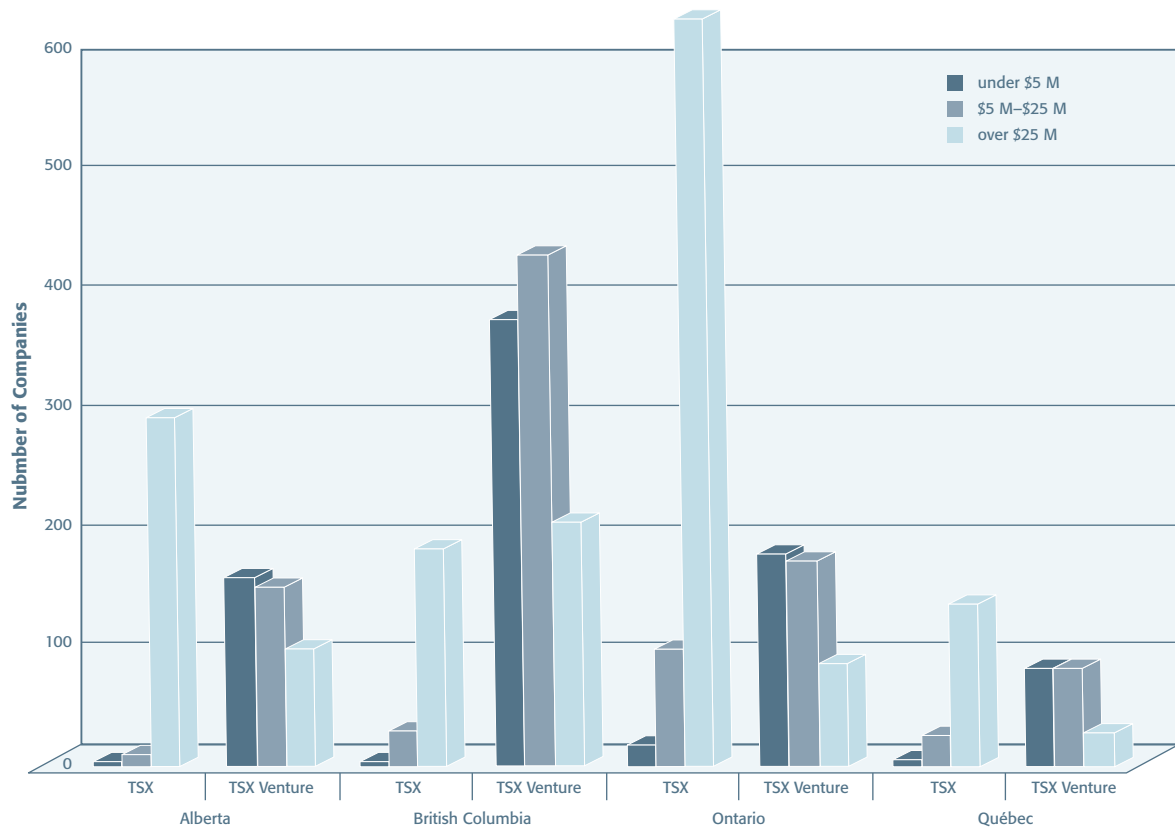
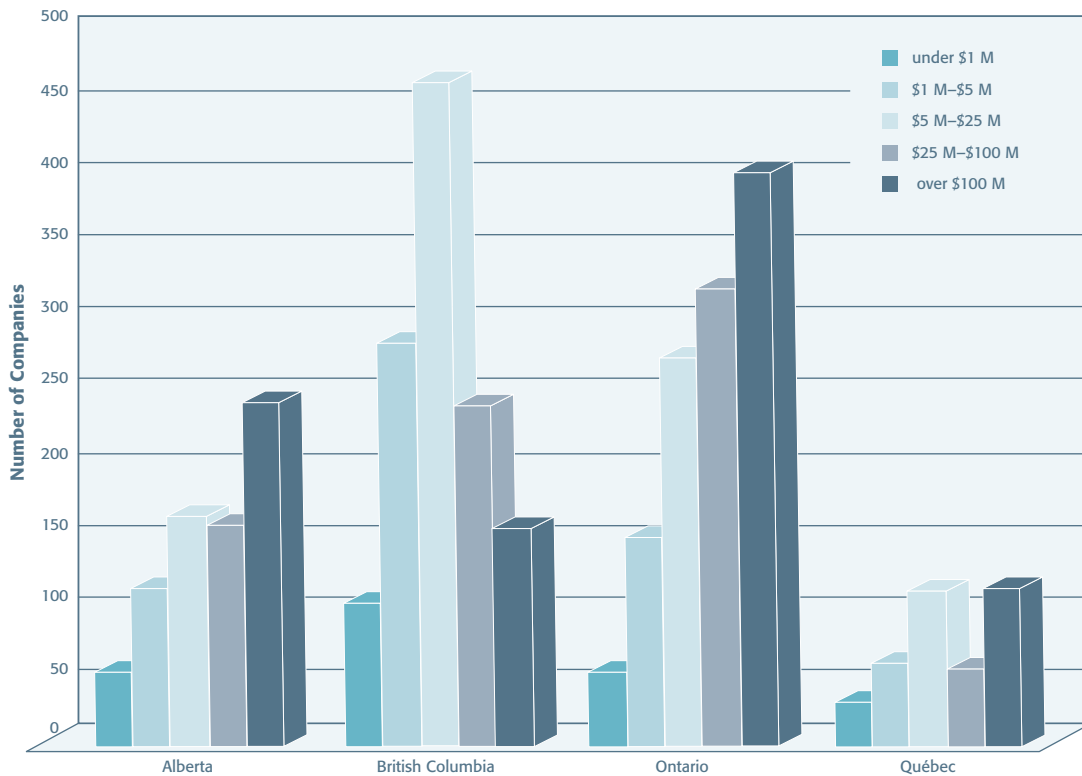


Chart 6 and Chart 7 indicate that Alberta is second only to Ontario with respect to the number of public companies with market capital over \$25 million - 390 and 714, respectively (2004 Report - 387 and 643, respectively). The majority, 68%, of British Columbia's capital market is made up of companies with less than \$25 million in market capital (2004 Report - 86%). Companies with market capital of less than \$25 million represent 45% of Alberta's capital market, 39% of Ontario's capital market and 55% of Québec's capital market (2006 Report: AB - 45%, ON - 42% and PQ unchanged).

The mid ranges of market capital have relatively equal representation in Alberta's capital market, with public companies in the over \$100 million range having the highest representation at 33% (2006 Report - 35%) and the under \$1 million range having the lowest representation at 7% of the market (unchanged from 2006 Report). This can be contrasted with British Columbia where the highest representation is in the \$5 million to \$25 million range at 38% (2006 Report - the largest group was in the under \$1 million range at 34%).

**Chart 7 Distribution of Companies by Province and Market Capital**

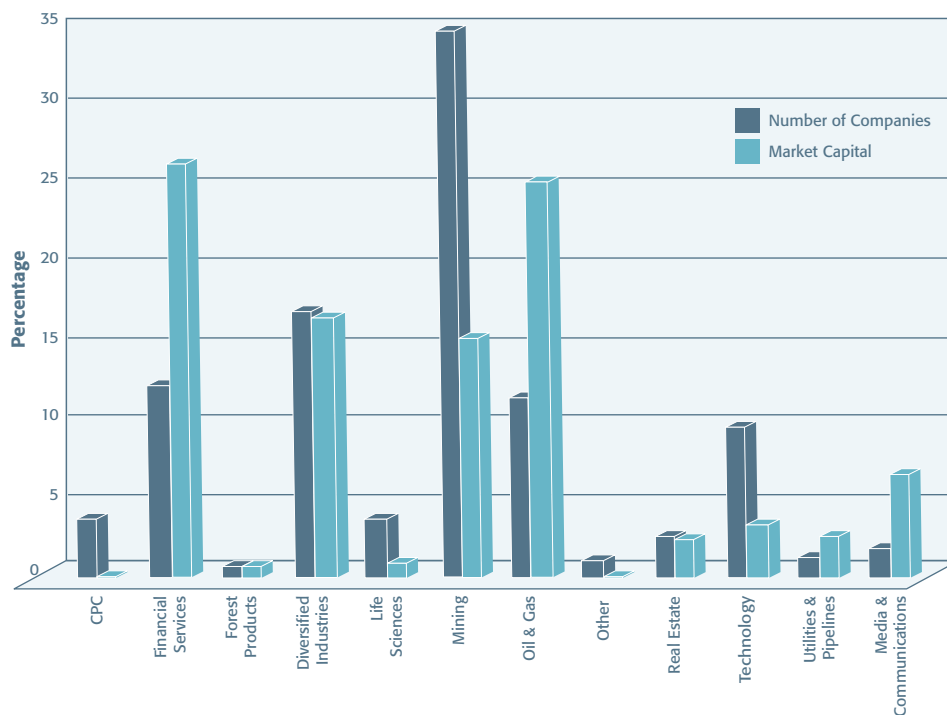


### Major Industries in the Canadian Capital Market

Based on aggregate market capital and number of companies, the Canadian capital market is primarily represented by six major industrial groups: financial services; oil & gas; diversified industries; mining; media and communications; and technology. Chart 8 illustrates the relative percentages of public companies engaged in each industry as compared with the percentage of market capital associated with each industry. Based on market capital, the most significant industries are financial services, oil & gas and diversified industries, in that order (2006 Report - oil & gas, financial services and diversified industries). In contrast, based on number of public companies, the principal industries are mining, diversified industries and financial services (2006 Report - mining, diversified industries and oil & gas). The oil & gas industry ranks fourth and technology ranks fifth in number of public companies (2006 Report - oil & gas, third and financial services, fourth).

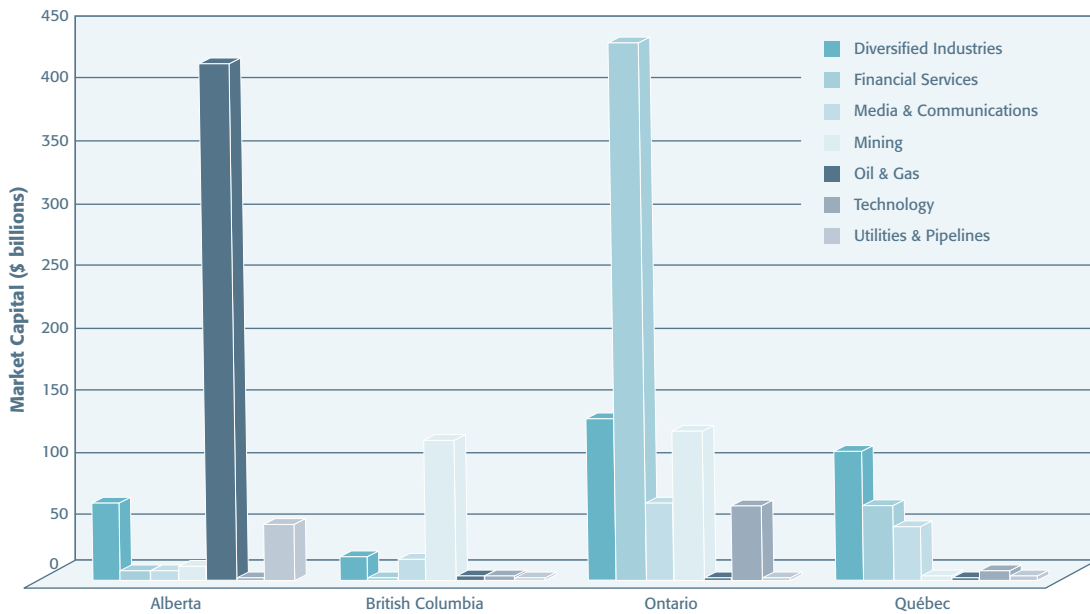
Note that of the six major industries, mining companies tend to be significantly smaller than those engaged in financial services, communications, oil & gas and utilities & pipelines. For example, Chart 8 indicates that mining companies represent 35% of all public companies in Canada, but only 15% of the market capital (2006 Report - 34% and 11%, respectively). Conversely, oil & gas companies, while representing only 11% of public companies, make up 25% of the aggregate Canadian market capital (2006 Report - 12% and 29%, respectively).

**Chart 8 Distribution of Industries by Aggregate Number of Companies and Market Capital**



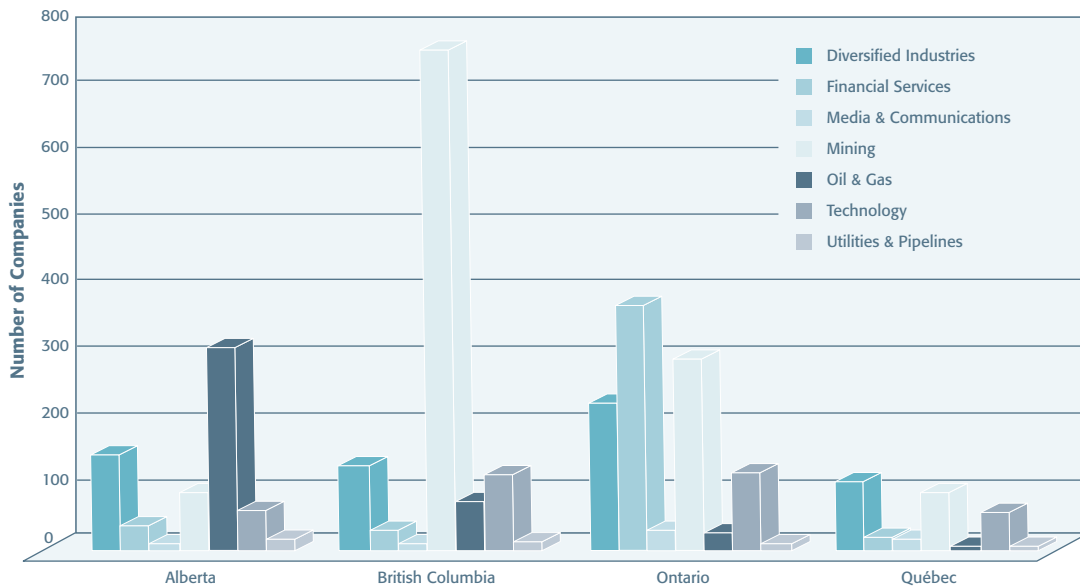
Viewing Chart 9 and Chart 10 together provides a closer look at the distribution of the major industries in the four major Canadian capital markets. Of note is the fact that oil & gas and financial services companies have much larger market capitalization per company than mining companies. Based on aggregate market capital (Chart 9) the primary industries are: Alberta—oil & gas, diversified industries and utilities & pipelines; British Columbia—mining, diversified industries and media & communications; Ontario—financial services, mining and diversified industries; and Québec—diversified industries, financial services and mining.

**Chart 9 Distribution of Market Capital by Industry and Province**



Based on number of companies engaged in each industry (Chart 10) the primary industries are: Alberta—oil & gas, diversified industries and mining; British Columbia—mining, diversified industries and technology; Ontario—financial services, mining and diversified industries; and Québec—diversified industries, mining and technology.

**Chart 10 Distribution of Industries by Province**



### Income Trusts in the Canadian Capital Market

Income trusts represent roughly 9% (\$192 billion) of the aggregate market capital in Canada and 7% (273 trusts) of the total listings on the TSX and TSXV (2006 Report - 10% (\$179 billion) and 6% (241 trusts), respectively). Chart 11 illustrates that although Alberta and Ontario have the largest percentage of income trusts at 35% and 36%, respectively (2006 Report - roughly 37% each), the income trusts based in Alberta represent almost 56% of the aggregate income trust market capital in Canada, whereas Ontario-based trusts represent 26% (2006 Report - AB: 64% and ON: 22%).

**Chart 11 Distribution of Income Trusts by Location of Head Office**

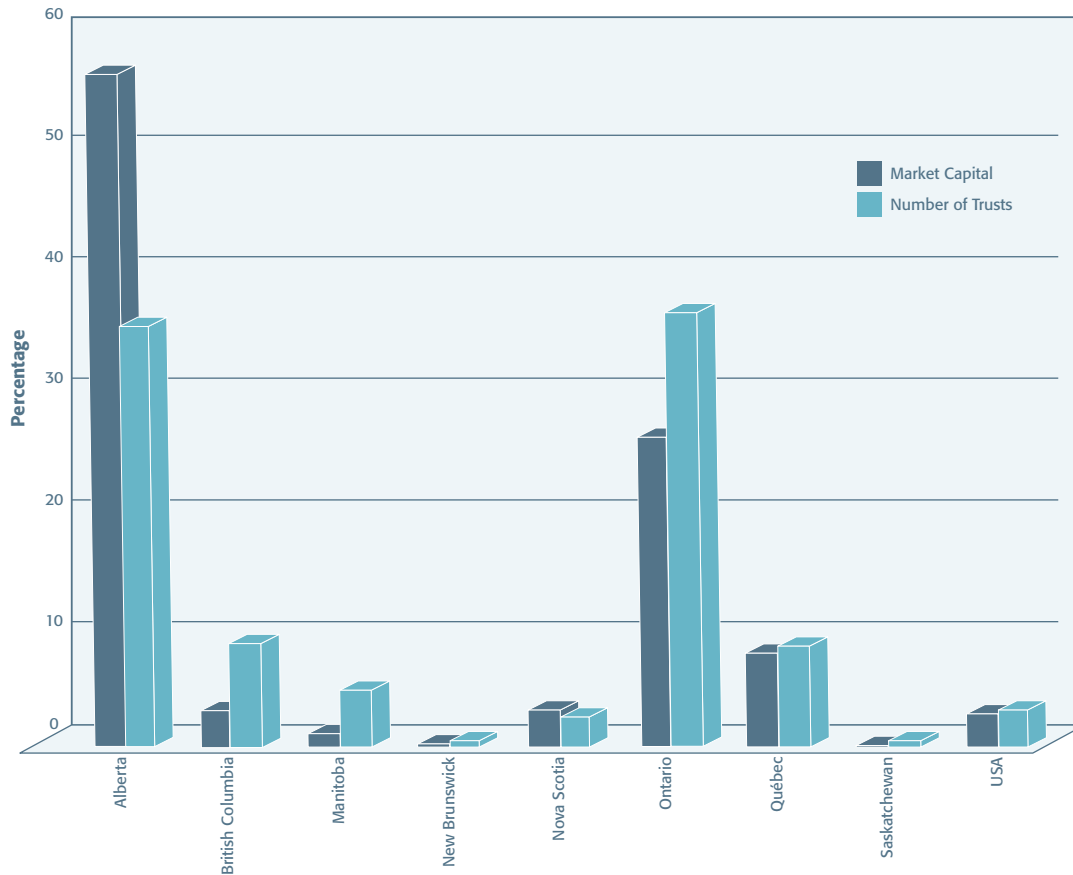
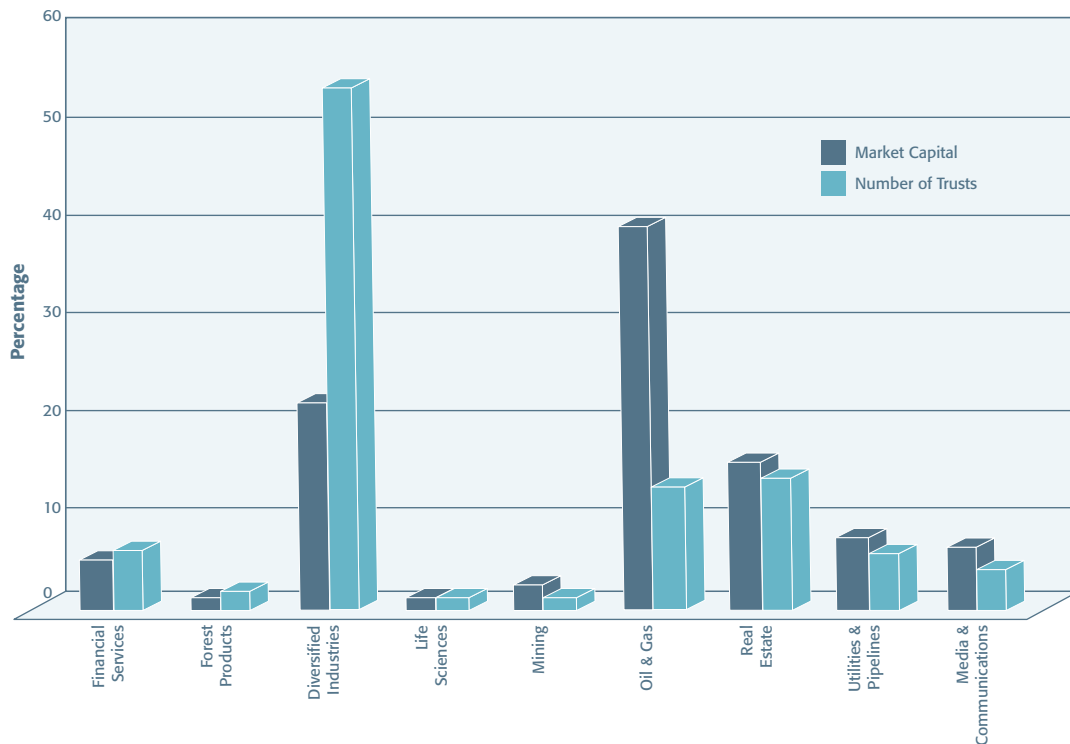


Chart 12 demonstrates the distribution of income trusts among industries both in terms of numbers of trusts and in terms of aggregate market capital. Oil & gas and diversified industries trusts dominate the income trust market. The oil & gas industry represents almost 39% (\$75 billion) of the aggregate market capital associated with income trusts and 12% (34 trusts) of the total number of listed income trusts (2006 Report - 50% (\$88.5 billion) and 18% (43 trusts), respectively). Income trusts in the diversified industries category have the opposite representation at 53% (146 trusts) of the number of listed income trusts and 21% (\$41 billion) of the aggregate market capital associated with income trusts (2006 Report - 50% (120 trusts) and 16% (\$28 billion), respectively).

Oil & gas income trusts represent 3.6% of the aggregate Canadian market capital (2006 Report - 4.7%).

**Chart 12 Distribution of Income Trusts by Industry**

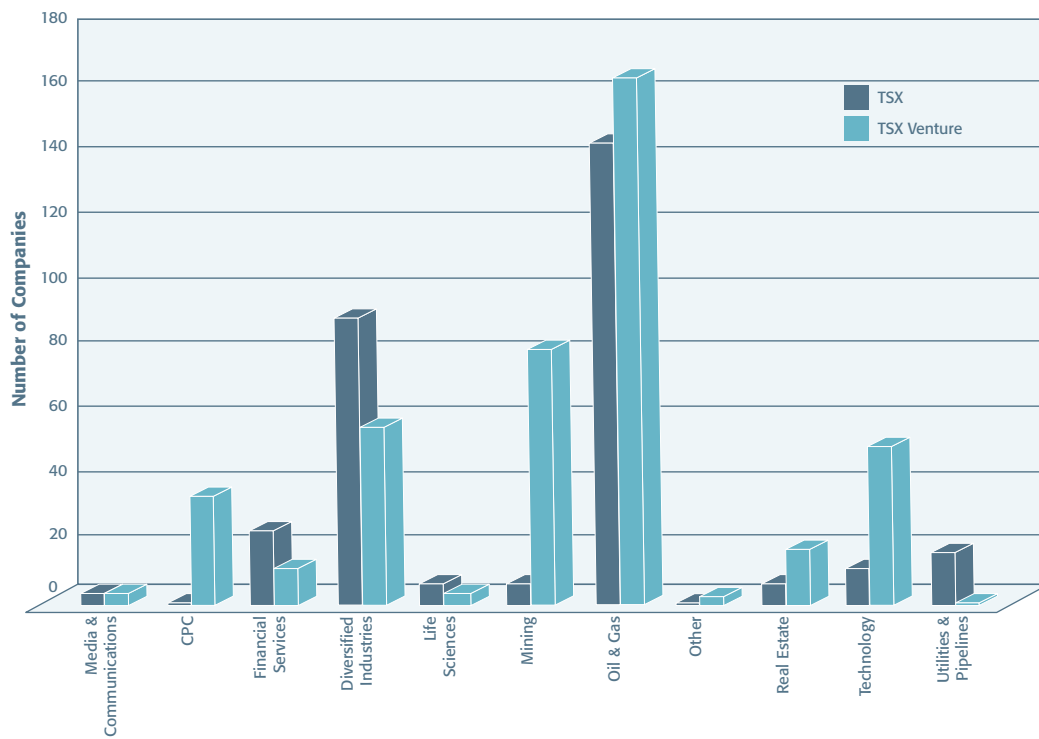


### Alberta's Capital Market

The industry classifications of Alberta-based public companies listed on the TSX and TSXV are set out in Chart 13. Based on numbers of companies, the principal industries in which Alberta-based public companies are engaged are oil & gas (42%), diversified industries (20%), mining (12%) and technology (8%) (2006 Report - 44%, 15%, 11% and 9%, respectively).

If we compare the Alberta-based companies listed on the two exchanges we note that there are significantly more mining and technology companies listed on the TSXV than the TSX—92% and 82%, respectively (unchanged from 2006 Report). The comparison of the number of oil & gas listings on each of the TSXV and the TSX is not so stark at 53% and 47%, respectively (2006 Report - both were at roughly 50%). Diversified industries have roughly 60% more public companies listed on the TSX than on the TSXV.

**Chart 13 Distribution of Alberta Industries by Exchange**

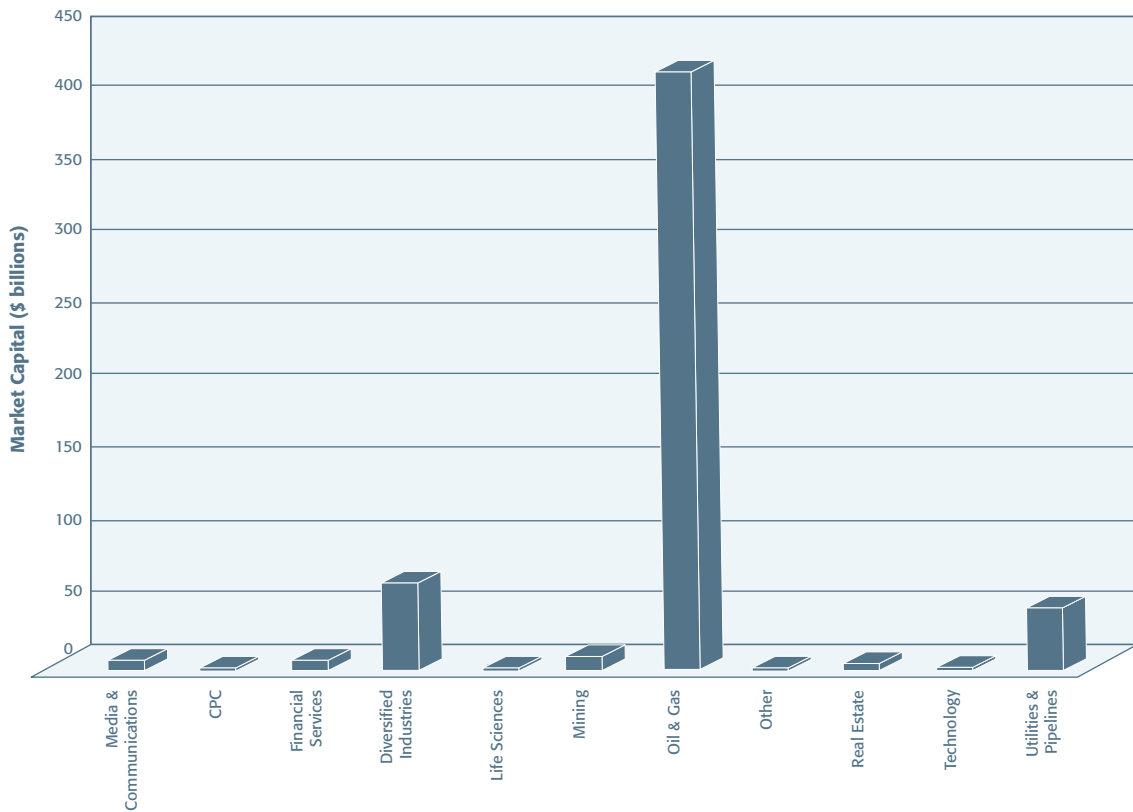




Contrasting numbers of public companies with aggregate market capital (see Chart 14), mining and technology companies represent 20% of the number of Alberta-based public companies but only 2% of Alberta's capital market (2006 Report - 20% and 3%, respectively). Oil & gas and diversified industries represent 62% of the number of Alberta public companies and 86% of the aggregate Alberta market capital (2006 Report - oil & gas and utilities & pipelines were the largest industries at 46% of companies and 87% of market capital).

The aggregate market capital of the oil & gas industry in Alberta is more than six times larger than diversified industries, the second largest industry in Alberta (\$417 billion vs. \$62 billion) as illustrated in Chart 14 (2006 Report - twelve times larger, \$374 billion vs. \$30 billion).

**Chart 14 Distribution of Market Capital in Alberta by Industry**



As would be expected, and as illustrated in Chart 15, significantly more public companies with market capital under \$25 million are listed on the TSXV than the TSX. The reverse is also true for public companies with over \$25 million of market capital. The largest proportion of Alberta-based TSXV listed companies is in the \$1 million to \$5 million range (26%); however, there is also a significant percentage in the \$10–\$25 million range (21%). In comparison, 95% of Alberta-based TSX listed companies have more than \$25 million in market capital (unchanged from 2006 Report).

**Chart 15 Distribution of Alberta Market Capital by Exchange**

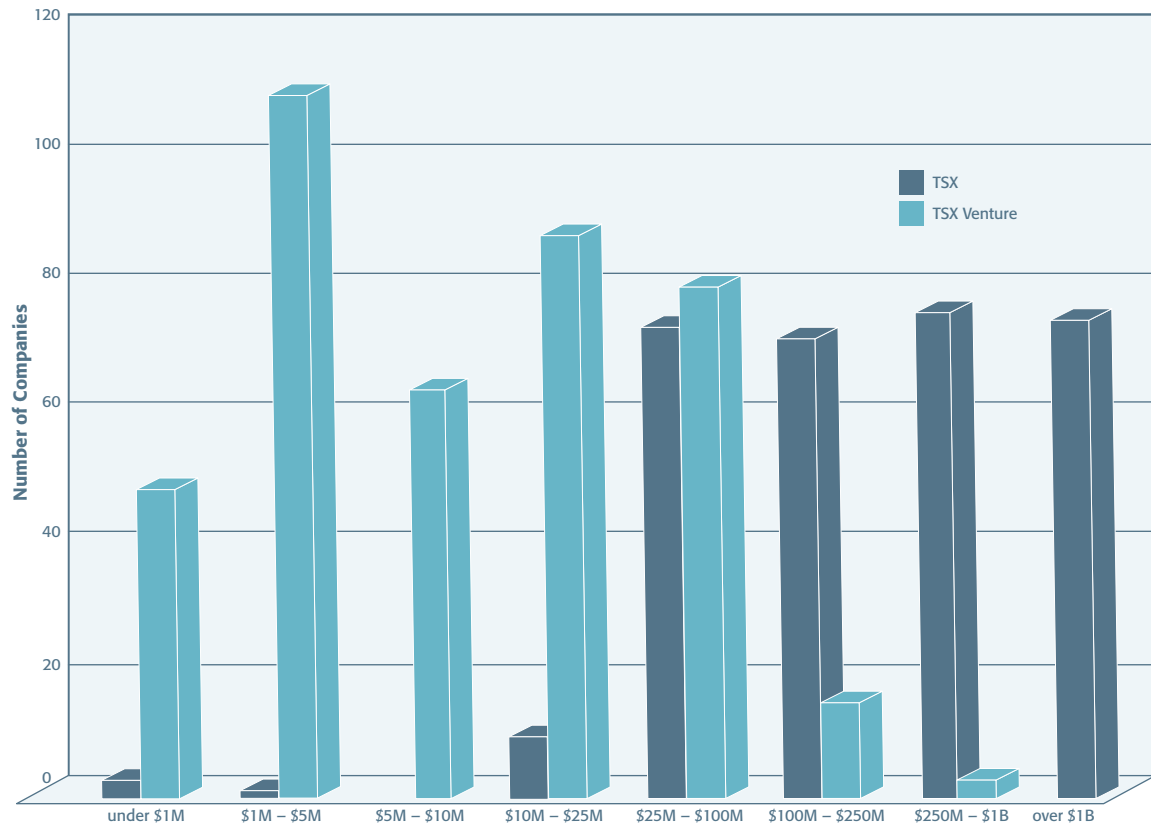


Chart 16 shows the industries of Alberta-based public companies and the market capital ranges of companies engaged in each of those industries. Interestingly, the number of oil & gas companies increases in correlation with increases in market capital ranges; there are fourteen times as many public oil & gas companies in Alberta with market capital of over \$100 million than there are public oil & gas companies with market capital under \$1 million (2006 Report - there were twenty three times more). Twenty-nine percent of Alberta’s mining companies and 39% of technology companies have market capital of under \$5 million (2006 Report - 44% and 68%, respectively).

There are no small utilities & pipelines companies. Most companies (65%) in the diversified industries category have over \$25 million in market capital, and both the mining and technology industries are dominated (70%) by companies with less than \$25 million in market capital (2006 Report - 70% and 75%, respectively).

**Chart 16 Distribution of Alberta Companies by Industry and Market Capital**

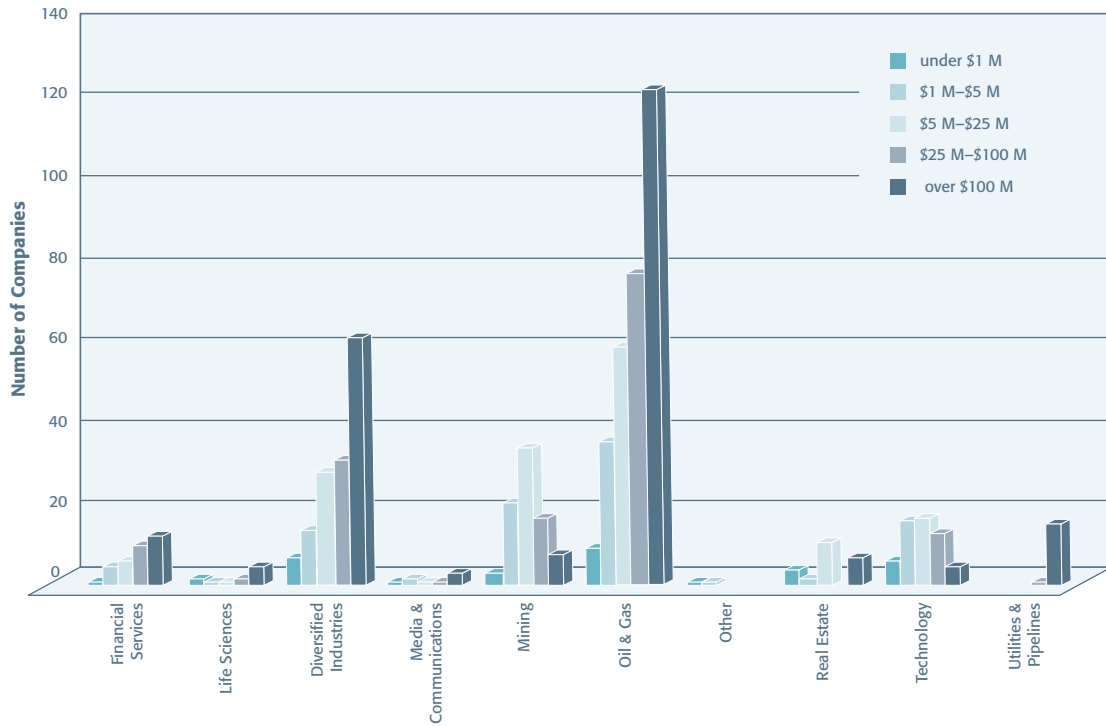
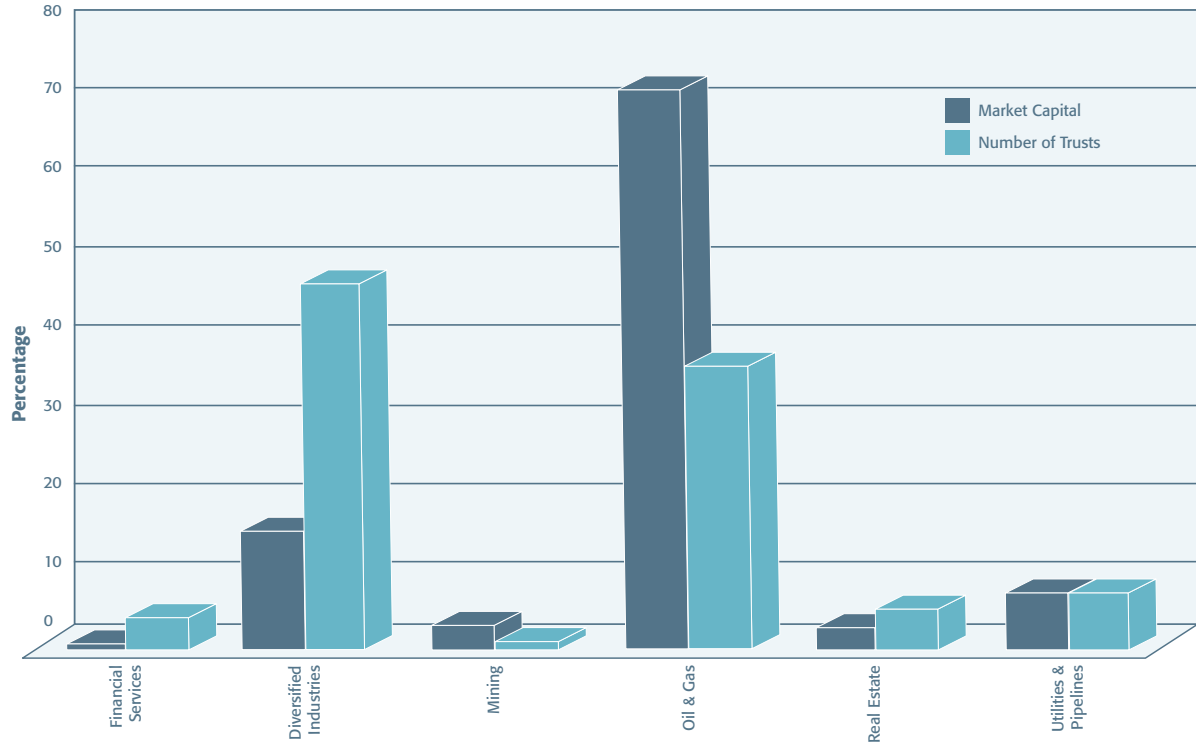


Chart 17 illustrates the distribution of income trusts among Alberta-based companies by industry. Oil & gas trusts represent 71% (\$75 billion) of the market capital associated with Alberta-based income trusts and 14% of Alberta's aggregate market capital (2006 Report - 76% (\$86 billion) and 18%, respectively).

**Chart 17 Distribution of Alberta Income Trusts by Industry**



## 5. Significant Observations

Significant observations drawn from the findings include the following:

1. Canada has seen enormous growth in the aggregate market capitalization of companies listed on the TSX and TSXV since the 2004 Report—81% (from \$1.17 trillion to \$2.12 trillion). Between the end of 2003 and the end of 2006, the World Federation of Exchanges shows 91% growth in the TSX, 36% growth in the NYSE and Nasdaq, and 54% growth in the London Stock Exchange.
2. The growth in the oil & gas industry has resulted in Alberta capturing an additional 8% of the aggregate Canadian market capitalization since the 2004 Report. This increased prominence of Alberta's capital market in the overall Canadian capital market was maintained during 2006.
3. The rapid growth of, and increased investment in, the oil & gas industry have resulted in that industry representing almost 25% of Canada's aggregate market capital.
4. The Canadian capital market continues to be made up of very distinct provincial capital markets, each of which brings a unique perspective.
5. The capital markets in Alberta and Canada are very clearly tiered markets, with a relatively even distribution of small, medium and large companies.
6. The rapid rise in the number and aggregate market capital associated with income trusts from the 2004 Report to the 2006 Report (almost doubling in number and almost tripling in aggregate market value) has seen a dramatic drop-off since the 2006 Report.





