Guide to Going Public in Canada

April 23, 2019

This guide gives an overview of what is involved in going public and listing a company in Canada. It is a practical overview of the process from the prerequisites through to life as a public company.

Why List securities in Canada?

Listing your company's securities on a Canadian stock exchange provides access to significant capital pools and investors, both in Canada and abroad. The Canadian capital markets are particularly attractive for resource-based issuers and may provide greater visibility for smaller and medium sized issuers than a listing on other significant markets.

Aside from these advantages, Canada has less rigorous corporate governance requirements than the United States does under Sarbanes-Oxley. While going public in Canada is not fundamentally different than going public in the United States, this guide also highlights the advantages Canada has to offer from the corporate governance and regulatory perspectives.

How is the offering done?

The most common means of offering securities to the public in Canada is to distribute securities under a prospectus in one or more Canadian jurisdictions and to list those securities on one of the Canadian stock exchanges. However, undertaking an initial public offering (IPO) in Canada is not the exclusive way to take your company public. This guide also highlights alternative ways to take your company public in Canada.

Does your company qualify?

The prerequisites for listing in Canada are determined by the applicable stock exchange. To qualify for listing on the Toronto Stock Exchange (TSX), your company must have a relatively well established business and meet industry based financial criteria. However, the listing requirements of the TSX Venture Exchange (TSX-V) and the Canadian Securities Exchange (CSE) accommodate more junior and early-stage issuers. The Aequitas NEO Exchange (NEO) is a new equities market majority-owned

by large institutional investors. In addition to listing its own securities, it trades all TSX, TSX-V and CSE securities and is accessible to investors via all major online trading platforms.

Is your company ready?

Before offering its securities, your company should review its:

- business plan — a detailed strategic business plan for the company and the proceeds to be raised through the offering should be developed to assist in marketing, preparation of the prospectus and stock exchange approval;
- structure — the capital and organizational structure should be consistent with that of a typical public company and unusual attributes that could interfere with marketing the flotation should be reconsidered; and
- corporate governance — board composition, committees and mandates should be reviewed to ensure adequate representation of independent directors and compliance with corporate governance requirements.

What goes in the prospectus?

The prospectus will contain a detailed description of your company designed to provide full, true and plain disclosure of all material facts related to the securities to be distributed in the offering. Audited financial statement for the 3 most recently completed financial years and unaudited interim financial statement are also required.

What is involved in the process?

This guide summarizes the principal steps in undertaking an IPO in Canada including the initial preparations, preparation and review of the prospectus, marketing the offering and the primary continuing obligations following a successful IPO.

This guide also summarizes the principal steps in undertaking a reverse take-over (RTO) of an existing TSX or TSX-V listed company. Aside from an IPO, an RTO transaction is another way to take your company public in Canada.

While any listed issuer may complete an RTO transaction, the TSX also has a special listing category for “Special Purpose Acquisition Corporations” (SPACs). SPACs allow the founders of listed shell companies to raise proceeds for the purpose of completing the acquisition of an operating business within 36 months of listing. The specific requirements governing SPACs are also summarized in this guide.

Your company could also go public in Canada through a transaction known as a “qualifying transaction” with a capital pool company listed on the TSX-V. The rules are substantially different for that process and are beyond the scope of this guide. For a summary of these rules, see A Guide to Capital Pool Companies and Qualifying Transactions Resulting in Reverse Take-Overs, BLG (March 2017).

Download BLG's guide to going public (April 2019)

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