

Canada's Top 100 Corporate R&D Spenders List 2013 Analysis

Corporate R&D Spending Continues to Increase

For a second year running Canada's Top 100 Corporate R&D Spenders increased their total R&D spending. R&D spending grew by 12.6% in Fiscal 2012, doubling last year's spending growth of 6.1% and climbing to \$12.3 billion – a record total by Top 100 R&D Spenders. R&D spending expanded despite an overall -3.0% decline in combined company revenue, as reported by 89 of the 100 leading R&D companies.

Bombardier Inc. moved into 1st spot in Fiscal 2012, with R&D spending of \$1.9 billion, increasing spending by 42.2% from Fiscal 2011. BlackBerry Limited fell to 2nd place (\$1.5 billion), BCE Inc. maintained 3rd spot (\$576.1 million), IBM Canada Ltd moved up a spot to rank #4 (\$540.0 million) and Pratt & Whitney Canada Corp. (\$527.0 million) rounded the top 5.

Fiscal 2012 research intensity – R&D spending divided by revenue – was 3.3%, compared with 2.8% in Fiscal 2011. Higher combined research spending together with lower revenue produced the increase.

In Fiscal 2012, 65 companies posted increases in their R&D spending compared with 34 firms where spending dropped and 1 company which was flat, similar results to last year.

The \$100 Million Club

RESEARCH Infosource is proud to announce that 27 companies have gained membership in the \$100 Million Club – an elite group of firms that spent \$100 million or more annually on R&D in Fiscal 2012. This compares with 24 companies last year. The Club includes 19 Canadian companies and 8 foreign subsidiaries. Joining the Club this year were Canadian Natural Resources Limited, General Motors of Canada Limited, Syncrude Canada Ltd., BRP Inc. and Encana Corporation.

Total \$100 Million Club R&D spending on research was \$9.6 billion, up 18.2% from Fiscal 2011 and accounted for 78% of total Top 100 R&D spending, an increase from a 75% share in Fiscal 2011.

The \$100 Million Club		
2012	Company	R&D Spending \$000
1	Bombardier	\$1,900,240
2	BlackBerry	\$1,508,396
3	BCE	\$576,100
4	IBM Canada (fs)	\$540,000
5	Pratt & Whitney Canada (fs)	\$526,984
6	Magna International	\$514,794
7	Atomic Energy of Canada	\$384,100
8	Rogers Communications	\$346,000
9	Ericsson Canada (fs)	\$325,000
10	Canadian Natural Resources	\$270,000
11	AMD Canada (fs)	\$265,702
12	Cenovus Energy	\$264,000
13	Apotex	\$207,745
14	Imperial Oil	\$201,000
15	General Motors of Canada (fs)	\$186,425
16	TELUS	\$170,000
17	Open Text	\$168,975
18	Syncrude Canada	\$157,200
19	CAE	\$144,389
20	Vale Canada (fs)	\$132,000
21	Constellation Software	\$128,769
22	BRP	\$128,200
23	Encana	\$126,758
24	Sanofi (fs) ^(a)	\$122,408
25	Ontario Power Generation	\$113,000
26	GlaxoSmithKline Canada (fs)	\$112,266
27	Hydro-Québec	\$100,000

fs = Foreign subsidiary (includes R&D spending for Canadian operations only)

^(a) Sanofi Pasteur Limited and sanofi-aventis Canada Inc. (including Genzyme Canada)

Industry Performance

In a landmark development in Fiscal 2012, the Aerospace industry captured the largest share of R&D spending. Five aerospace firms spent a total of \$2.7 billion on R&D and accounted for 22% of total Top 100 R&D spending. This eclipsed the \$2.3 billion of spending and 19% share by 13 companies in the Communications/Telecom Equipment industry, which has been the perennial leader. The ICT industry sector in total however, represented 41% of total R&D spending (\$5.0 billion). Twenty-two Pharmaceuticals/Biotechnology firms spent a total of \$1.2 billion on research and captured 10% of the Top 100 total.

Top 100 – Leading Industries	
Industry	R&D Spending (% of Total)
Aerospace (5)	22
Communications/Telecom equipment (13)	19
Pharmaceuticals/Biotechnology (22)	10
Telecommunications Services (4)	9
Software & Computer Services (10)	9
Energy/Oil & Gas (7)	9
Automotive (4)	6

R&D Spending Growth

A number of firms substantially increased their R&D spending in Fiscal 2012. Leading the pack was Rogers Communications Inc. (217.4%), followed by Encana Corporation (207.1%), Bayer Inc. (132.9%) and Westport Innovations Inc. (115.9%).

Top 10 Companies by Growth			
2012 Rank		Company	% Change 2011-2012
R&D Growth	Overall		
1	8	Rogers Communications	217.4
2	23	Encana	207.1
3	67	Bayer (fs)	132.9
4	35	Westport Innovations	115.9
5	65	Medicago	102.5
6	15	General Motors of Canada (fs)	92.3
7	47	SNC-Lavalin Group	76.7
8	86	MethylGene ⁺	72.5
9	18	Syncrude Canada	70.8
10	91	IMRIS	63.2

fs = Foreign subsidiary (includes R&D spending for Canadian operations only)

⁺Not current name

Top R&D Intensive Firms

As is typically the case, companies in the Pharmaceuticals/Biotechnology industry tended to be the most research-intensive. These companies tend to have high rates of R&D spending compared with their revenues.

Top 10 Research Intensive Companies*			
2012 Rank		Company	R&D as % of Revenue
Research Intensity	Overall		
1	65	Medicago	437.4
2	81	Tekmira Pharmaceuticals	127.8
3	7	Atomic Energy of Canada	108.5
4	64	QLT	96.5
5	30	PMC-Sierra (fs)	65.5
6	73	Bioniche Life Sciences	64.6
7	71	AEterna Zentaris	63.8
8	90	NexJ Systems	57.9
9	74	ViXS Systems	57.4
10	35	Westport Innovations	47.6

*Based on companies with \$1 million or more of revenue only

fs = Foreign subsidiary (includes R&D spending for Canadian operations only)

Looking Ahead

Many Top Corporate R&D Spenders picked up their research spending in Fiscal 2012 – despite minimal increases or declines in their revenue - helping to propel the combined growth to 12.6% and posting \$12.3 billion – the largest R&D spending amount on record for the Top 100 Corporate R&D Spenders. Bombardier's performance was especially notable. The aerospace and transportation company spent \$1.9 billion on R&D, in large part to support the rollout of their new C-Series jet. Although troubled BlackBerry fell to second place on the Top 100 list, their Fiscal 2012 R&D spending was on a par with their result in Fiscal 2011. Rogers Communications led on growth, posting a substantial 217.4% increase in R&D spending.

As the economic future is still in limbo, questions that come to mind that can affect the R&D scene: Will global economic growth recover in the coming year? Will this boost our manufacturing and natural resource sectors? Will R&D spending tail off when it is no longer required for large-scale product development? Will a rising tide encourage companies to invest more in research? We will continue to monitor as the year progresses.

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