



INVEST IN CANADA

investincanada.com

Private Equity and VC Ecosystem

*David Fransen
Consul General of Canada
December 6, 2013*



Overview

Canada remains one of the most welcoming and profitable places in the world for innovation and investment.

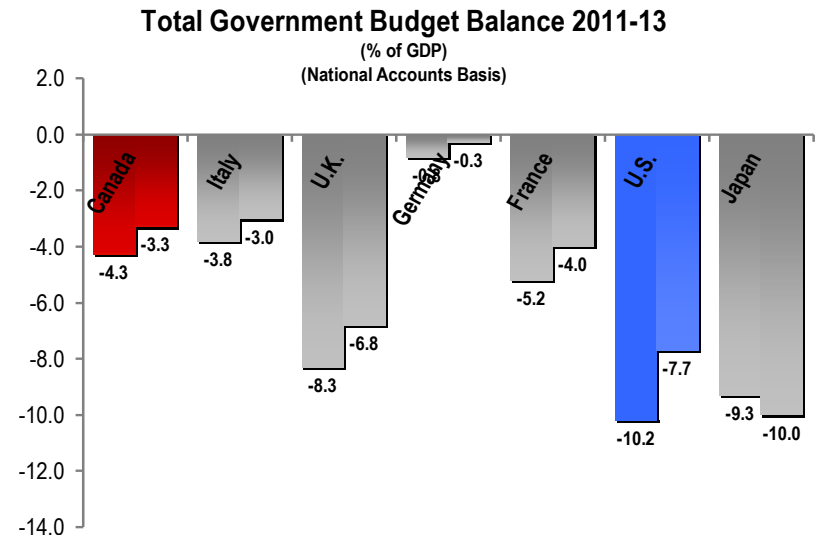
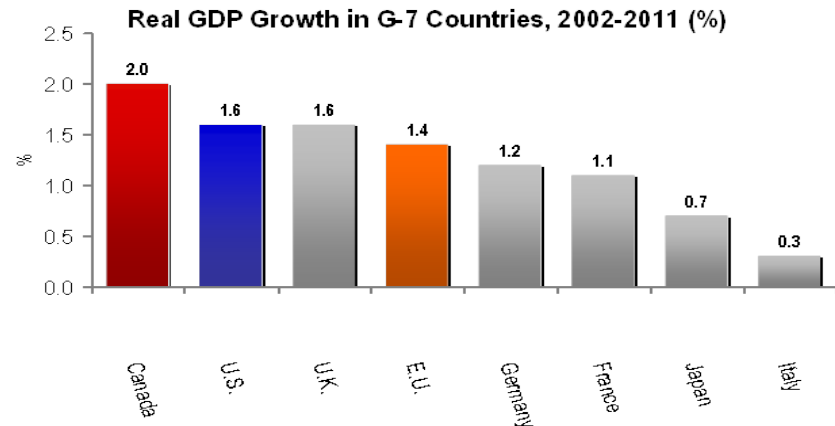
- Canada boasts a diversified economy, a broad resource base and a stable banking and tax environment. The country is expected to be **among the top G-7 performers** through 2016.
- Canada's **competitive business costs, low corporate tax rates, successful innovation clusters, efficient transportation infrastructure** and **ready access to markets** enable profitable international investment.
- Canada offers a winning environment for research and innovation, including **world-leading R&D infrastructure, innovation incentives** and **scientific talent**, offering entrepreneurs and investors a special blend of innovation capacity across a **wide array of industries**.
- The Government of Canada is making **significant investments to support private sector investment in innovation**.



Canada's Advantages

Strong Economic Growth & Financial Stability

- **Canada led all G-7 countries in economic growth** over the past decade (2002-2011).
- **Canada's economy was the first among G-7 nations** to recoup the employment losses recorded during the global recession.
- Canada currently has the **lowest net debt-to-GDP ratio in the G-7** (IMF).
- For the sixth consecutive year, the World Economic Forum (WEF) has declared **Canada's banking system to be the soundest in the world**.
- During the financial crisis, no Canadian bank or insurer failed and none required bailouts.



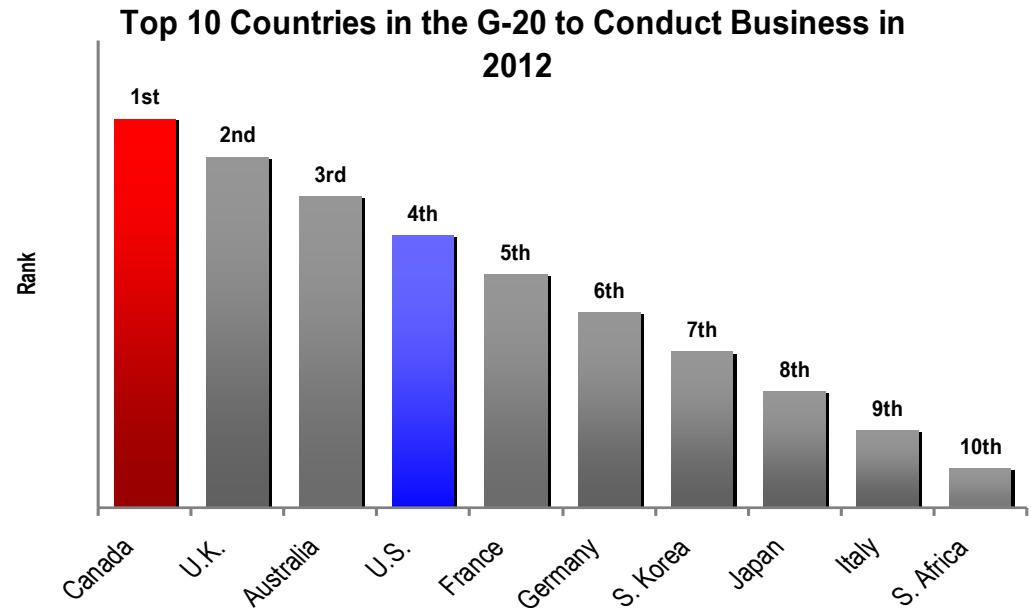


Canada's Advantages

Best country in the G20 for business

- Forbes Magazine, November 2012

- The Economist Intelligence Unit also considers Canada the **best country in the G-7 in which to do business** over the next five years.
- KPMG places **Canada as the most tax competitive country in the G-7.**
- Overall business costs in Canada are **5.0% lower than the U.S.**, according to KPMG.



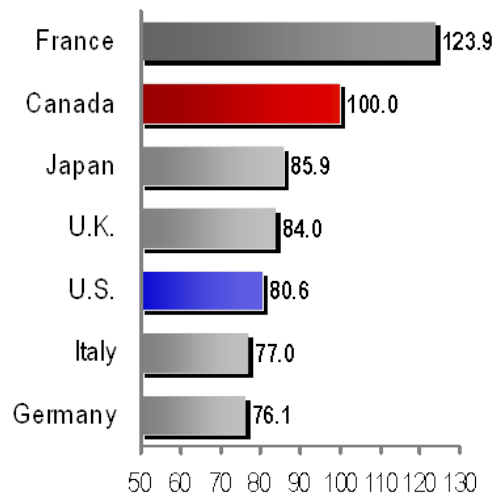


Canada's Advantages

Excellent place for research and innovation

Relative Generosity of R&D Tax Treatments*

(Index: Canada = 100.0)



- **Canada offers one of the most generous R&D tax incentives in the industrialized world** which can currently save firms, on average, up to 30 cents on a dollar invested in R&D in Canada.
- R&D-intensive sectors in Canada also enjoy the lowest costs in the G-7, with **a cost that is 10.7% lower than that in the U.S.**
- Canada leads the G-7 in R&D spending as a share of GDP in higher education.

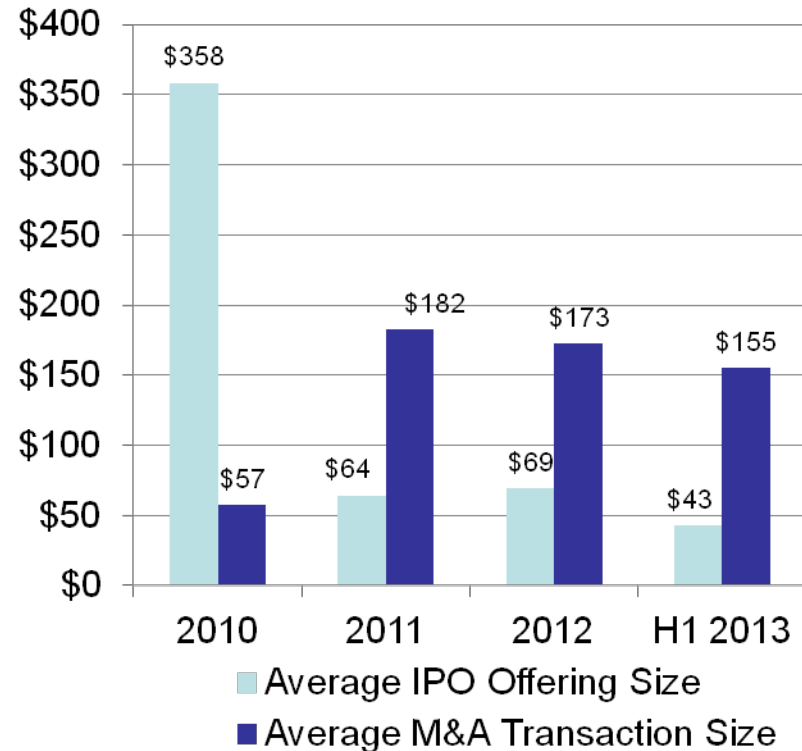
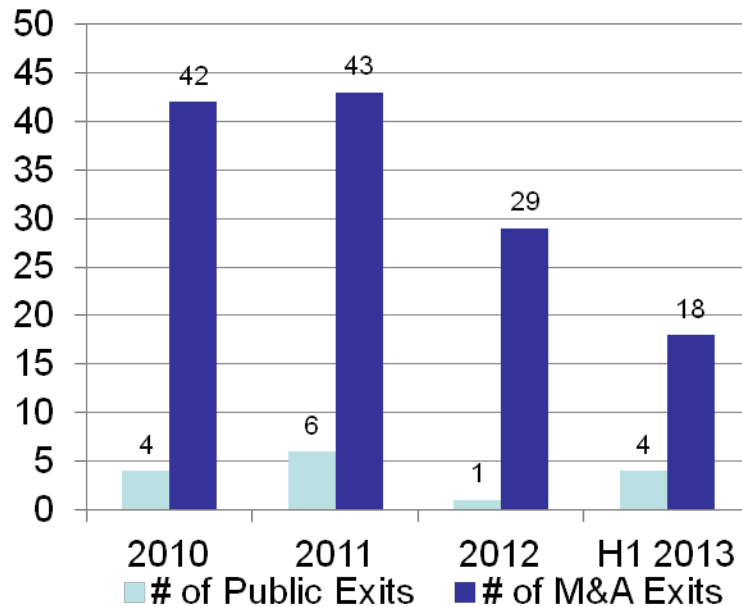


Canada's Start-Up Visa Program

- Designed to recruit innovative immigrant entrepreneurs to Canada
- Permanent residency provided to successful applicants and family members
- Applicants need to secure a least CAD75k in financing from a designated Canadian angel investor or at least CAD200k from a designated Canadian venture capital fund.
- Applicants must meet certain criteria regarding language proficiency and educational qualifications.
- Guidelines for the application process and a listing of designated angel/VC investors can be found at <http://www.cic.gc.ca>
- The applying entrepreneurs and the Canadian investors must have at least 50% combined equity stake in the business, and the each member of the founding team must have at least 10% equity stake.
- By securing Canadian residency through this program, the company could also qualify for R&D tax credits in Canada, which can provide approximately 50% funding for R&D labour costs in Canada.

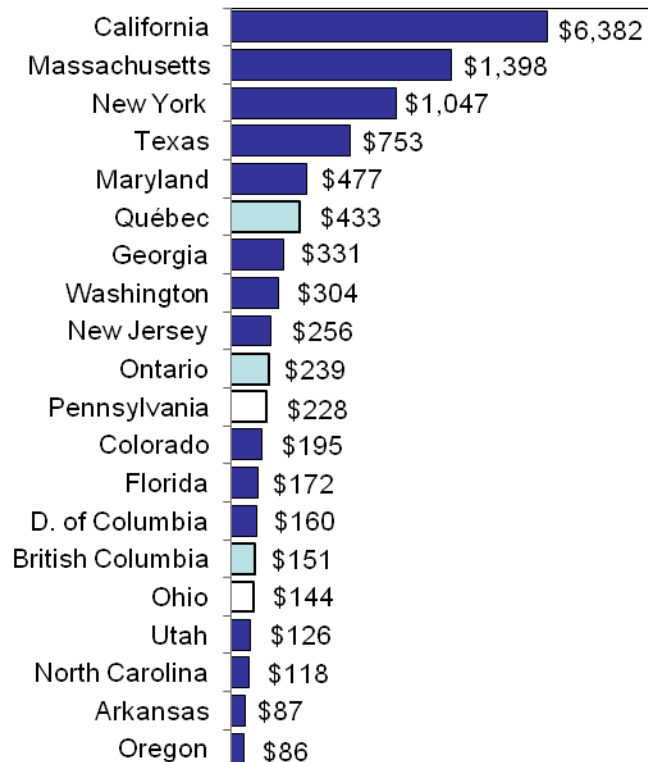


Exits of Canadian VC Backed Portfolio Companies

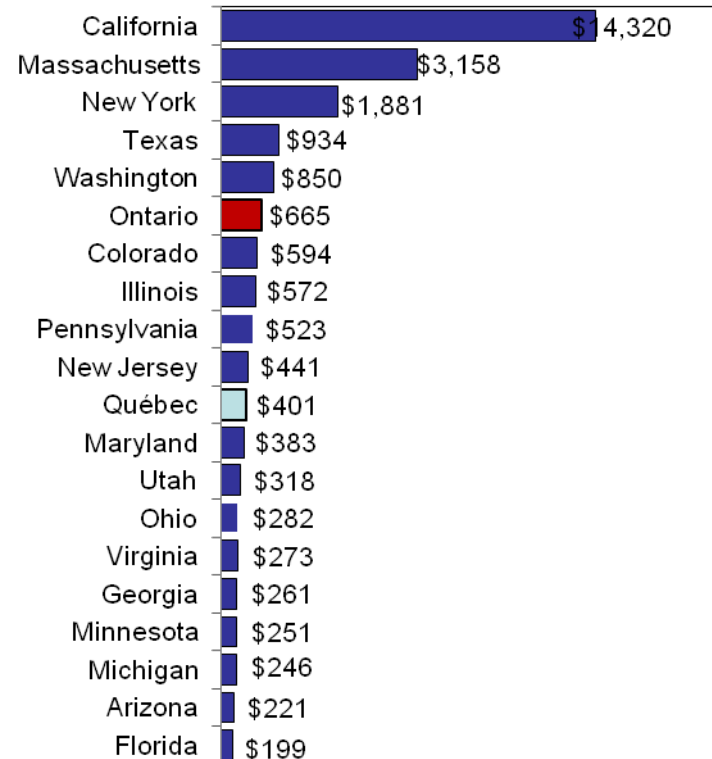




North American Venture Capital – Rankings



First Half 2013

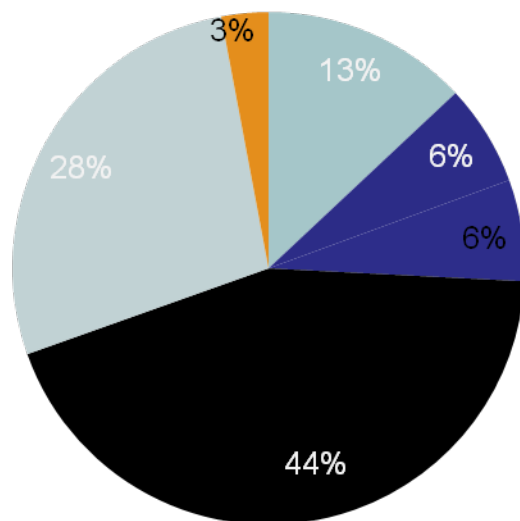


Full Year 2012

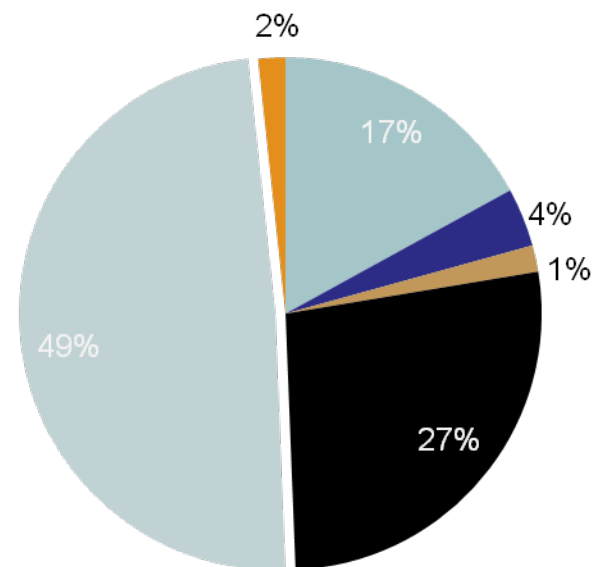


2012: \$1,509 Million

H1 2013: \$886 Million



British Columbia
Manitoba-Saskatchewan
Québec



Alberta
Ontario
Atlantic Canada

VC Dollars Invested By Region, 2012 and First Half 2013

VC DOLLARS INVESTED BY REGION, 2012 & H1 2013



2012 Canadian VC Financing

- CAD 1.5 Billion Invested in 2012 (equal to 2011 and highest since 2007)
- 395 Canadian Companies funded in 2012 (five year high)
 - Information Technology, 214 Investments & \$719 Million Invested
 - Life Sciences, 76 Investments & \$368 Million Invested
 - Cleantech, 33 Investments & \$144 Million Invested
 - Non Technology 135 Investments & \$230 Million Invested
 - 6 of 24 Largest North American VC deals in 2012 were Canadian including Desire2Learn (4th), Engineered Power Inc (9th), Thrastos Innovation (16th)



Foreign Investors - Canadian VC

Asian LP Investors In Canadian VC Funds

Kuwaiti Petroleum, Asahi Kasei, Mitsubishi Chemical Holdings SABIC, Toyota Tsusho Corporation, Nitto Denko

European LP Investors In Canadian VC Funds

European utilities Fortum and Essent, BASF, Evonik Industries, Solvay, Bekaert, Hampshire Pension fund (UK)

US LP Investors In Canadian VC Funds

Oregon Investment Fund, Calpers, Silicon Valley Bank, MERCK, Lilly, Castro Innovations, Harvard, Stanford, University of Michigan, Princeton, Yale, Former CEO Yahoo



Canadian Sector Strengths

Canada's Leading General PE Funds

- The financial performance of Canada's top PE funds has been on par with Tier 1 PE funds in the USA and Europe.
- Top US Institutional funds and endowment funds continue to re-invest with Canadian PE funds.
- Onex, Catalyst, Birch Hill, Torquest, Kern Partners and Arc Energy have been consistently performing within the top quartile of PE funds globally.
- Canada's PE sector generally invests in mid market private in both Canada and the US.

***Westcap, Onex Partners/
OnCap, Birch Hill Equity,
Clairvest Equity,
NovaCap, Catalyst
Capital, Tricor Pacific,
Torquest Partners, CAI,
Triwest, Fulcrum,
Penfund, Priveq,
Quorum, Imperial, Yellow
Point***



Canadian Sector Strengths

Canada's Leading Cleantech VC Funds

- The Canadian Cleantech market is valued at more than \$29 billion and generates sales worth more than \$18.4 billion.
- **82% of Canadian Cleantech companies export**, with export revenues projected to account for 70% of industry revenues by 2015.
- Canada has invested \$2.2 billion over nine years to support the development of the country's biofuel industry, including funding for SDTC and BDC, the largest funders of Canadian Cleantech companies.
- The Canadian federal government has set a goal of generating 90% of Canada's electricity from zero-emitting sources by 2020.
- Canada's is home to several leaders in Cleantech VC industry, all of whom have attracted investment from top institutional and Corporate LP's in US, Asia and Europe.

Active Canadian VCs:

Yaletown, Cycle Capital, Enertech, Chrysalix, Pangaea, XPV, Emerald, McRock Capital, MaRs Cleantech Fund, Inerjys Ventures, Innovation Fund, Algal Ventures, growthworks



Canadian Sector Strengths

Canada's Leading Energy PE/VC Funds

- Alberta and Saskatchewan investing in carbon capture & storage, and game changing cleantech technologies being developed around Canada's oil sands.
- Kern, and Arc are two of the top performing PE funds in the world, both based in Alberta with an investment focus on emerging & later stage companies in the oil & gas/energy sector.
- Fronterra, 32 Degrees, Enertech and JOG Capital are VC funds, focused on investing in early stage cleantech and oil & gas companies.
- **Epcor** and Suncor Corporate VC funds, are global leaders in the energy corporate venture sector and are both based in Alberta.

Active Canadian PE/VCs:

Edgestone Capital, 32 Degrees, Kern Energy, Arc Energy, JOG Capital, Camcor Energy fund, Fronterra Ventures, Pinetree Capital, Enertech, Epcor & Suncor Corp VC funds



Canadian Sector Strengths

Canada's Leading ICT VC Funds

- Canada is home to the **second largest number of global software companies**, after the United States.
- In 2011, Canada's top 250 ICT companies recorded sales of **more than \$82 billion**. The anticipated compound annual growth rate is 2.6% through 2015.
- Multinationals such as **IBM, Alcatel-Lucent, Ericsson, Blackberry, AMD, Electronic Arts** and **SAP** have major development centres in Canada. (and now Samsung)
- BDC and MaRs Innovation fund (two publically funded) are the most active ICT VC funds in Canada and the Canadian Digital Media Fund provides CAD 360 million in funding to Canadian digital media companies.
- BDC, EDC, Northleaf, Edgestone , Kensington Capital and Teralys are four Canadian fund of funds investing in Canada's leading ICT VC funds.

Active Canadian VCs:

Round 13, Rho, Expresso, Edgestone, Golden, Brightspark, Tandem, Mantella, Version One, iNovia, Real, Wellington, JLA Albright, Relay Ventures, MaRs, Omers, BDC Growthworks, Summerhill, Build Georgian Partners Celtic, East Valley, Extreme, Rogers, Klass, Yaletown, Mistral, Vanega , Difference, Best, Trellis, Anges Quebec



Canadian Sector Strengths

Canada's Leading Life Sciences VC Funds

- Canada has one of the **largest life sciences industries in the world** in terms of number of companies, including more than 1,500 firms and a research community of over 100 institutes and 40,000 scientists and engineers.
- Canada is especially strong in **biotech and diagnostics** with innovation clusters in Montreal, Toronto and Vancouver.
- The pharmaceutical industry in Canada generates upwards of \$23 billion annually and employs over 30,000 people, while the medical devices sector earns over \$8 billion and employs over 35,000 people.

Active Canadian VCs:

*CTI, Lumira, Genesys,
Covington Capital, DRI
Capital*



Canadian Sector Strengths

Canada's Leading Agri-Food Tech VC Funds

- The food and beverage processing industry **is the largest manufacturing industry in Canada**; with 17% of the total value of manufacturing shipments, 2% of national GDP and \$21 billion worth of processed food and beverage exports to a total of 180 countries.
- Canada is the 4th largest exporter of agriculture products with CAD 32 billion in annual exports to markets like China, Hong Kong and Japan
- With nearly 700 producers, Canada's **natural-health products and dietary-supplements** sector generates annual revenues of more than CAD 3.5 billion.
- 2003 to 2011, **100 foreign companies established greenfield projects** in Canada's food sector.

Active Canadian VCs:

Bioenterprise Capital Ventures, Avrio Capital, Investeco, AVAC



Canadian Sector Strengths

Canada's Leading Infrastructure PE Funds

- For the past five years Canada based Brookfield, CDP, CPPIB, Ontario Teachers and OMERS have all been amongst the 10 largest direct investors in infrastructure globally, and generating industry best returns.
- Long standing PPP legislation in Canada (lead by Ontario and BC) has allowed Canadian PE funds to develop unique expertise in structuring equity investments to support PPP infrastructure projects around the world.
- Leading PE infrastructure funds in Canada include Brookfield, Northleaf, Fengate, and Cordiant Capital

Active Canadian PE Infrastructure Funds:

***Kensington Capital,
Northleaf, Fengate
Capital, Brookfield Asset
Management, Cordiant
Capital***



Canada: A Leader in P3 Funding

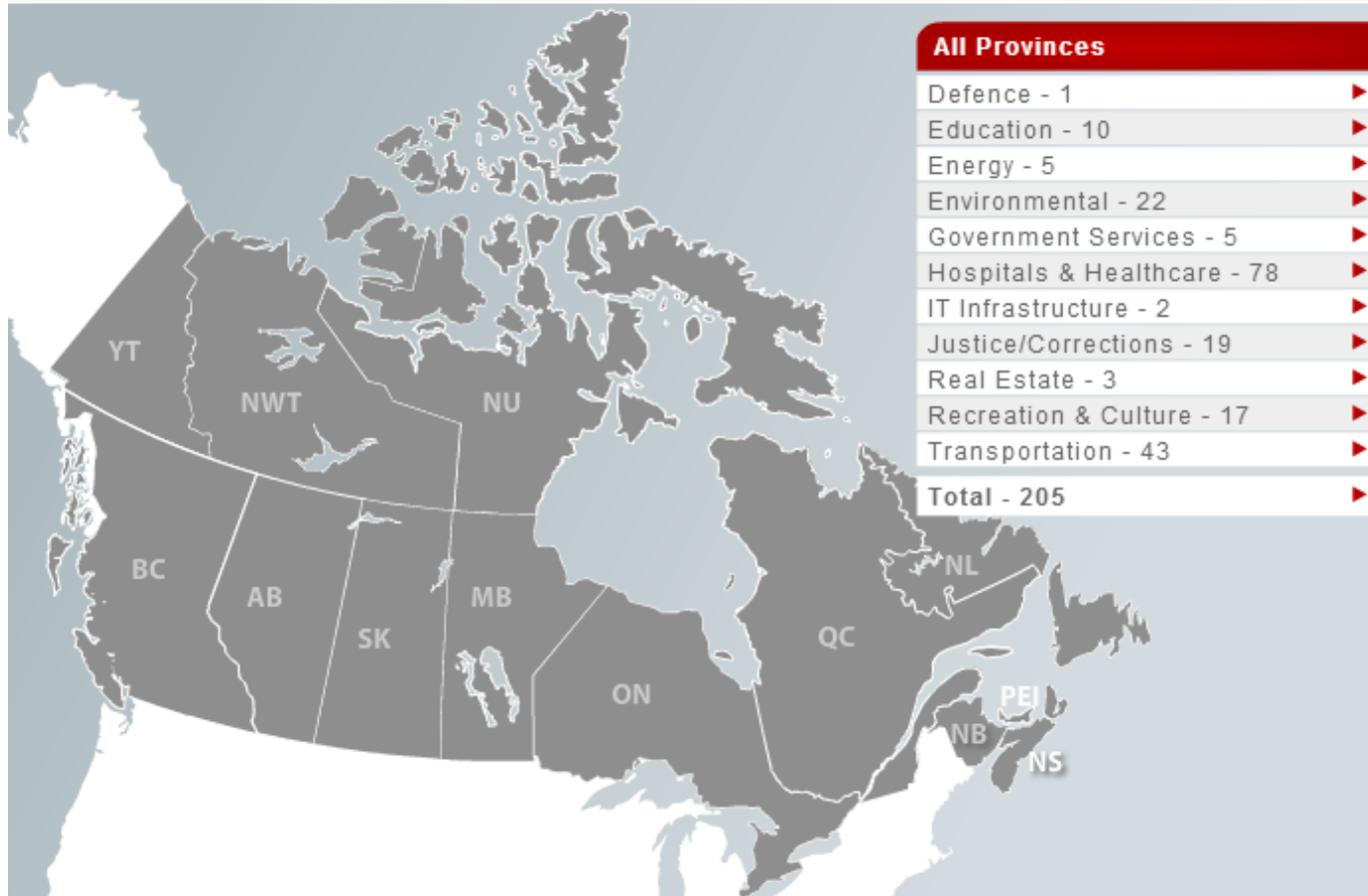
The Canadian Council for
Public-Private Partnerships



Le Conseil Canadien pour
les Partenariats Public-Privé

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THE CANADIAN COUNCIL FOR PUBLIC-PRIVATE PARTNERSHIPS CANADIAN PPP PROJECT DATABASE





Canada: A Leader in P3 Funding

Sector	Number	Value (\$ millions)*
Transportation	43	26,170
Hospitals & Healthcare	78	20,425
Justice/Corrections	19	5,422
Energy	5	4,250
Education	10	1,880
Recreation & Culture	17	1,379
Real Estate	3	944
Defence	1	867
Environmental	22	587
Government Services	5	172
IT Infrastructure	2	1
Total	205	62,097



Federal Investment in Venture Capital

Government of Canada Venture Capital Action Plan

- The 2012 federal budget announced **\$400 million** to help increase private sector investments in early-stage risk capital, and to support the creation of large-scale venture capital funds led by the private sector
- Focus on ICT, Cleantech and Life Science sectors.
- Breakdown of allocation:
 - **\$250 million** to establish **new, large private sector-led national funds of funds**;
 - Up to **\$100 million** to recapitalize existing **large Canadian private sector-led funds of funds**; and,
 - **\$50 million** into 4 **existing high-performing venture capital funds** in Canada including CAD 15 million CTI Life Sciences fund, CAD 10 million Lumira Capital, CAD 15 million Summerhill Ventures, CAD 10 million Real Ventures.



Federal Investment in Venture Capital

\$250 million for Two New Private Sector Fund of Funds

- 250 million will Be Invested by Government of Canada into Two New Private Sector Fund of Funds
- The government of Canada will likely provide financial incentives to incent domestic and foreign investors to invest along side the government of Canada including (1) the right of private LP investors to fulfil their capital commitments following the Gov't and (2) private LP investors will receive their returns on investment in advance of the Gov't
- The only policy limitations on the capital will be:
 - The Venture funds in which the combined government/private sector capital is invested must have a presence in Canada
 - At least 33% of the capital must be invested into Canadian companies.
 - National investing mandate



Conclusion

Opportunities for International Investors

- Canada offers a stable, predictable, cost-effective environment for business investment and growth.
- Canada's top VC and PE funds are interested to diversify their LP investor base outside Canada
- New federal investment offers co-investment opportunities in Canadian-focused fund of funds.



Thank you – Merci!

Questions?

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Special Announcement



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(Designate)**

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