



REUTERS

# CANADIAN VENTURE CAPITAL REVIEW

First Nine Months 2016



THOMSON REUTERS

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# Canada's Venture Capital Market in Q3 2016

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## ***Canadian VC Market Trends***

Venture capital investment activity in Canadian companies continued at a rapid pace in the first three quarters of the year with a total of \$2.5 billion invested in 446 deals from January to September. In dollar terms, this represented the best first nine months of any calendar year since 2001, while the number of deals done was the most since 2005.

Growth was driven by large cap VC deals, with 11 companies raising rounds \$50 million or greater in the first nine months. This puts 2016 within reach of breaking the all-time record of 13 such transactions in the year 2000. With more large Canadian VC deals, the average round size in Canada climbed to \$5.6 million, pulling Canada out of its traditional last-place ranking among the top 10 VC-attracting nations. However Canada still ranked poorly compared to most other nations in terms of average round size, lagging far behind the USA at \$17.7 million, the United Kingdom at \$16.9 million, and Israel at \$15.3 million.

Investment by Canadian funds in non-Canadian companies also had a strong showing in the first nine months, with just over \$362 million invested in 67 deals. Highlights of Q3 dealmaking abroad included Intact Financial's investment in MetroMile, a San Francisco-based pay-per-mile car insurance company; and Georgian Partner's investment in Tealium, a San Diego-based provider of unified marketing solutions.

## ***Trends in the US VC market***

Venture capitalists invested US\$10.6 billion in 891 deals in the third quarter of 2016. Total venture dollars deployed to startup companies for the quarter decreased 32 percent and total deal count was down 11 percent, compared to the second quarter when US\$15.6 billion was invested in 999 deals. This represented the eleventh consecutive quarter of more than US\$10 billion in venture capital invested in a single quarter, and only the second time quarterly deal counts have dropped below one thousand since Q1 2013.



# Canada's Venture Capital Market in Q3 2016

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## ***Canadian VC Trends by Region***

Growth in venture capital dealmaking in the first nine months of 2016 was widespread across the country. Ontario, Quebec, and British Columbia all rose in their North American rankings by state and province, to 6<sup>th</sup>, 8<sup>th</sup>, and 18<sup>th</sup> place respectively. In rankings by city, Montreal placed first among Canadian urban centres, coming in 11<sup>th</sup> place among North American VC-attracting cities. However, Toronto, Vancouver, and Kitchener-Waterloo all advanced one or more positions from the ranks they held the prior year.

## ***Canadian VC Trends by Sector***

As with last year, investment in the information technology sector took the largest share of VC dollars with 62% of investment totals from January to September, or \$1.6 billion. Investment in the sector has now reached \$2.0 billion over the past twelve months, up 24% over the previous twelve-month period.

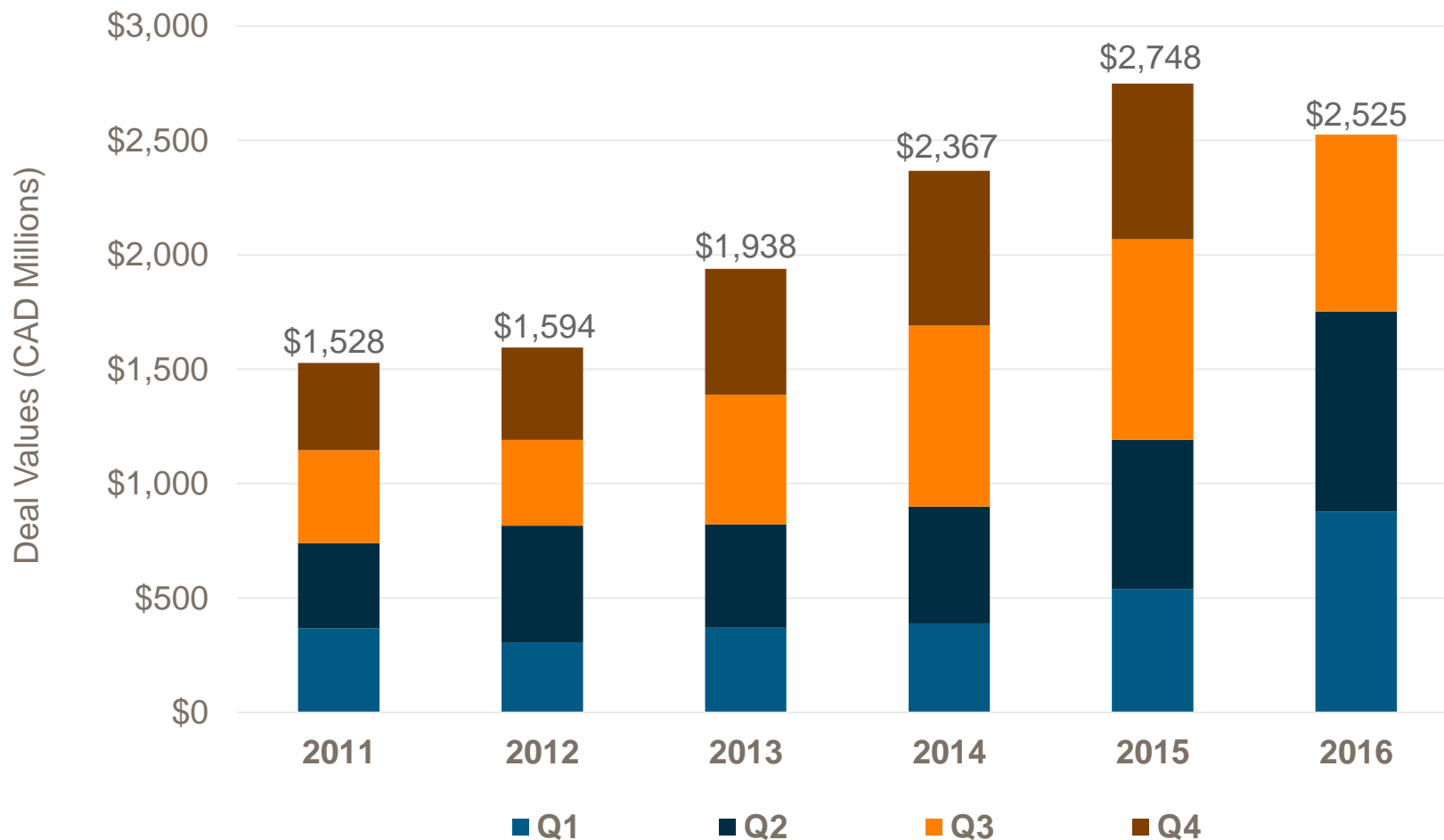
Cleantech companies received \$149 million in the first three quarters, a 6% share of all investment. Life Sciences companies took a 21% share, or \$531 million, while Consumer-related companies took \$148 million, or 6% of funds disbursed from January to September.

## ***Canada VC Fundraising Trends***

Following on the heels of a weak second quarter, Canadian venture capital fundraising returned strong in Q3 with \$725 million raised, predominantly led by the \$485 million close of Georgian Partners III. A total of \$1.7 billion has been raised for venture capital investment purposes so far this year.

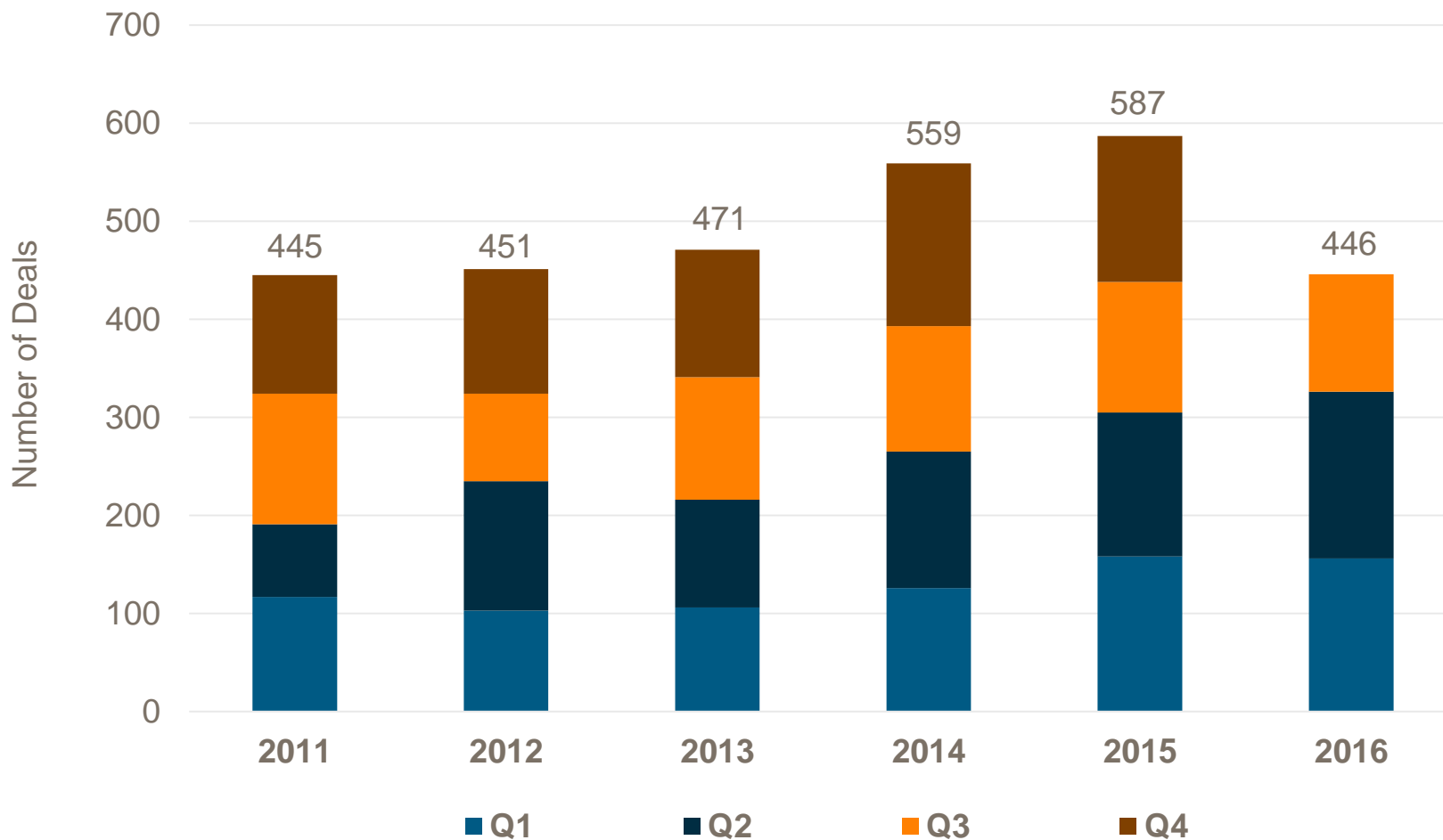


# Canadian Companies Secure \$774 Million in Q3 Best First 3Q for Canadian VC in 15 Years



# VC Deal Volume Up 2% From 2015

## Most Rounds From January to September Since 2005



# Top Canadian Venture Capital Deals First Nine Months 2016

Rank	Company Name	Location	Deal Value (\$ Mil)	Industry	Investor Participants (Disclosed)
1	Thalmonic Labs	Kitchener, ON	\$158.4	Wearable Technology	Intel Capital, Amazon Alexa Fund, Fidelity Investments Canada
2	Dalcor Pharmaceuticals	Montreal, QC	\$126.7	Drug Development	CDP Capital, CTI Life Sciences, Fonds de Solidarité FTQ, Sanderling Ventures
3	Real Matters	Markham, ON	\$100.0	Property Information Services	Undisclosed investors
4	Zymeworks	Vancouver, BC	\$87.8	Biotherapeutics	BDC Capital, Lumira Capital, Eli Lilly and Company, Celgene, CTI Life Sciences Fund, Fonds de Solidarité FTQ, Perceptive Advisors, Teraly Capital, Northleaf Venture Catalyst Fund, Brace Pharma Capital, Merlin Nexus
5	Triotech Amusement	Montreal, QC	\$80.0	Entertainment Devices	Fonds de Solidarité FTQ, Caisse de dépôt et placement du Québec
6	Blockstream	Montreal, QC	\$75.8	Cryptocurrencies	Horizons Ventures, AXA Strategic Ventures, Digital Garage, AME Cloud Ventures, Blockchain Capital, Future\Perfect Ventures, Khosla Ventures, Mosaic Ventures, Seven Seas Venture Partners
6	Flipp Corp	Toronto, ON	\$63.7	Mobile Consumer Marketplace	Insight Venture Partners, General Atlantic
7	Farmers Edge Precision Consulting	Winnipeg, MB	\$58.0	Agritech	Mitsui & Co., Kleiner Perkins Caufield & Byers, Osmington





# Most Active Investors in Canadian Companies Private Independent Funds

## Canadian Partnerships

Firm Name	# Deals (First 3Q)	Estimated Investments (\$ Millions)
Real Ventures	50	\$22.2
Anges Quebec	28	\$10.1
Cycle Capital	21	\$9.8
iNovia Capital	17	\$52.6
Terallys Capital	11	\$37.0
Relay Ventures	10	\$24.0
Avrio Capital	7	\$9.0
Yaletown Partners	7	\$7.2

## Non-Canadian Partnerships

Firm Name	# Deals (First 3Q)	Estimated Investments (\$ Millions)
Kleiner Perkins Caufield & Byers	3	\$21.8
Battery Ventures	3	\$16.9
Acton Capital Partners	3	\$7.0
Accomplice	3	\$6.5
Accel Partners & Co	3	\$3.5
Domain Associates	3	\$2.6
Techstars Central	3	\$2.1



# Most Active Investors in Canadian Companies Government & Other Fund Types

## Government Funds

Firm Name	# Deals (First 3Q)	Estimated Investments (\$ Millions)
Business Development Bank of Canada	82	\$112.9
MaRS Discovery District	21	\$21.8
Export Development Canada	17	\$26.3
FedDev Ontario	6	\$3.8
Sustainable Development Technology Canada	6	\$12.0
Innovacorp	5	\$4.2
Investissement Québec	4	\$12.2

## Pension, Retail & Institutional Funds

Firm Name	# Deals (First 3Q)	Estimated Investments (\$ Millions)
Fonds de Solidarité FTQ	57	\$179.3
New Brunswick Innovation Foundation	24	\$4.2
Desjardins	23	\$8.3
FondAction	10	\$14.1
OMERS Ventures	9	\$27.2
La Caisse de dépôt et Placement du Québec	6	\$124.9
Westcap Management	6	\$7.3

# Québec, B.C., and Ontario All Up in 2016

## North American VC Rankings

State / Province	First 3Q 2016 Rank	2015 Rank	H1 2016 VC Invested (CAD \$ Millions)	First 3Q 2016 North American Market Share	Change in Rank From 2015
California	1	1	\$29,158	51.7%	-
New York	2	2	\$5,718	10.1%	-
Massachusetts	3	3	\$5,547	9.8%	-
Florida	4	16	\$1,451	2.6%	+12 ▲
Texas	5	5	\$1,335	2.4%	-
🇨🇦 Ontario	6	8	\$1,113	2.0%	+2 ▲
Illinois	7	6	\$931	1.7%	-1 ▼
🇨🇦 Quebec	8	14	\$840	1.5%	+6 ▲
Washington	9	4	\$816	1.4%	-5 ▼
Pennsylvania	10	15	\$788	1.4%	+5 ▲
Virginia	11	18	\$617	1.1%	+7 ▲
Utah	12	12	\$594	1.1%	-
North Carolina	13	13	\$455	0.8%	-
New Jersey	14	7	\$419	0.7%	-7 ▼
Minnesota	15	19	\$390	0.7%	+4 ▲
🇨🇦 British Columbia	18	21	\$331	0.6%	+3 ▲

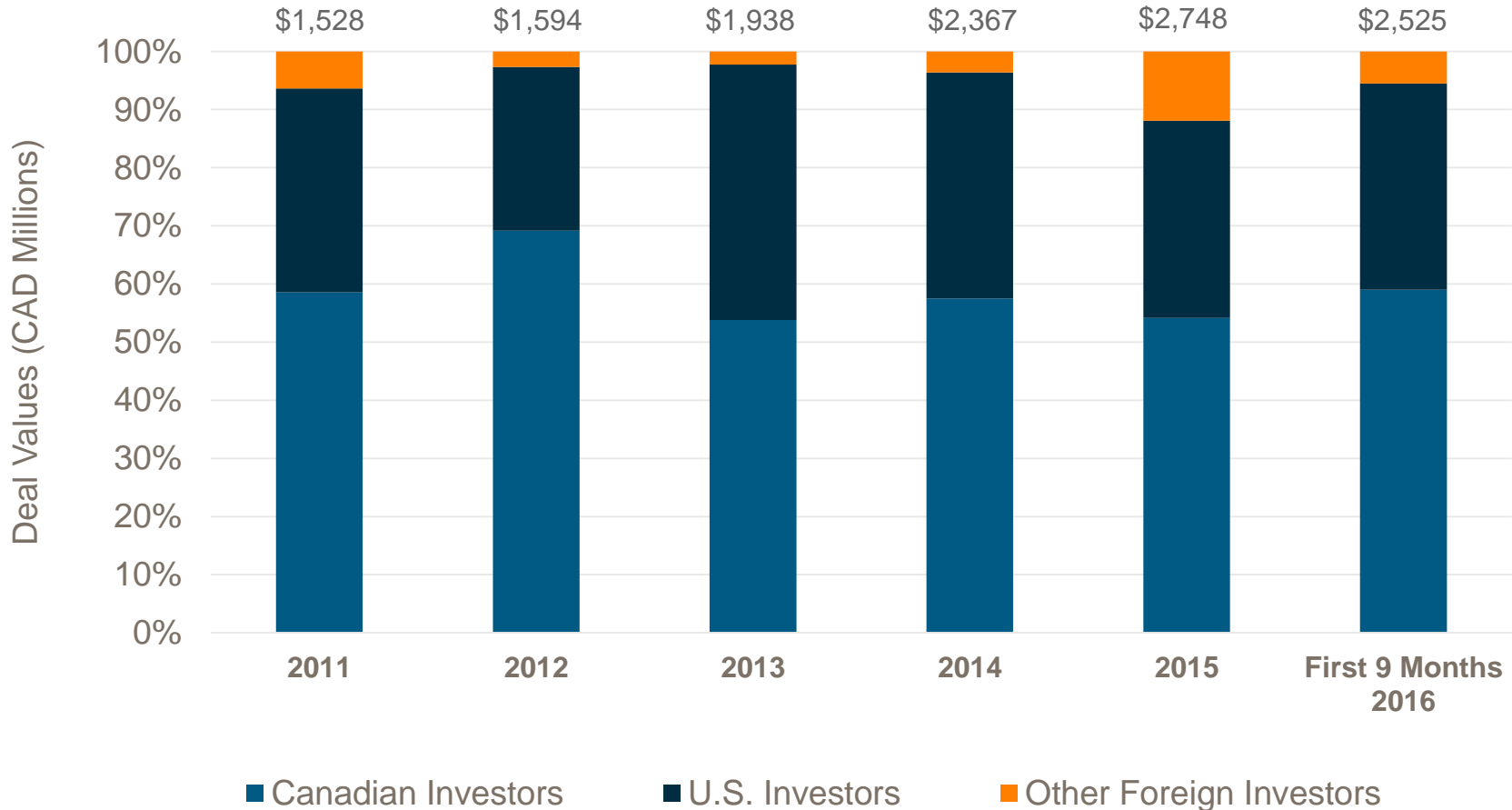


# Montreal, Toronto Reach 11<sup>th</sup> & 13<sup>th</sup> Place North American VC Rankings

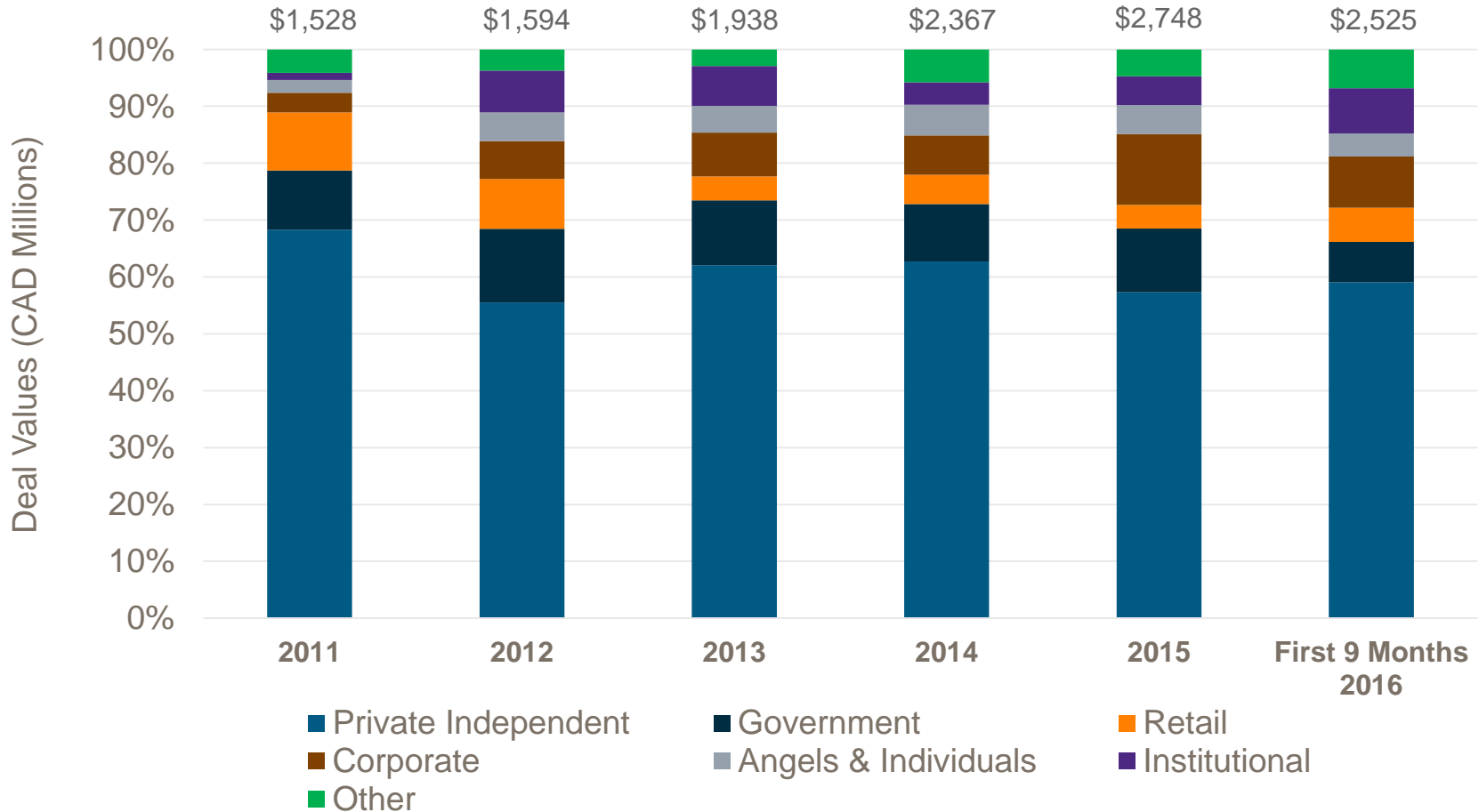
Metro Region	First 3Q 2016 Rank	2015 Rank	First 3Q 2016 VC Invested (CAD \$ Millions)	First 3Q 2016 North American Market Share	Change in Rank From 2015
San Francisco	1	1	\$15,981	28.3%	-
San Jose	2	2	\$7,829	13.9%	-
New York City	3	3	\$6,126	10.9%	-
Boston	4	4	\$5,280	9.4%	-
Los Angeles	5	5	\$3,267	5.8%	-
Washington D.C.	6	6	\$1,154	2.0%	-
San Diego	7	8	\$1,066	1.9%	+1 ▲
Chicago	8	9	\$915	1.6%	+1 ▲
Orange County	9	10	\$888	1.6%	+1 ▲
Seattle	10	7	\$795	1.4%	-3 ▼
🇨🇦 Montreal	11	16	\$736	1.3%	+5 ▲
Philadelphia	12	15	\$651	1.2%	+3 ▲
🇨🇦 Toronto	13	14	\$645	1.1%	+1 ▲
Austin	14	13	\$552	1.0%	-1 ▼
Houston	15	24	\$523	0.9%	+9 ▲
🇨🇦 Vancouver	20	19	\$315	0.6%	+1 ▲
🇨🇦 Kitchener-Waterloo	21	26	\$295	0.5%	+5 ▲



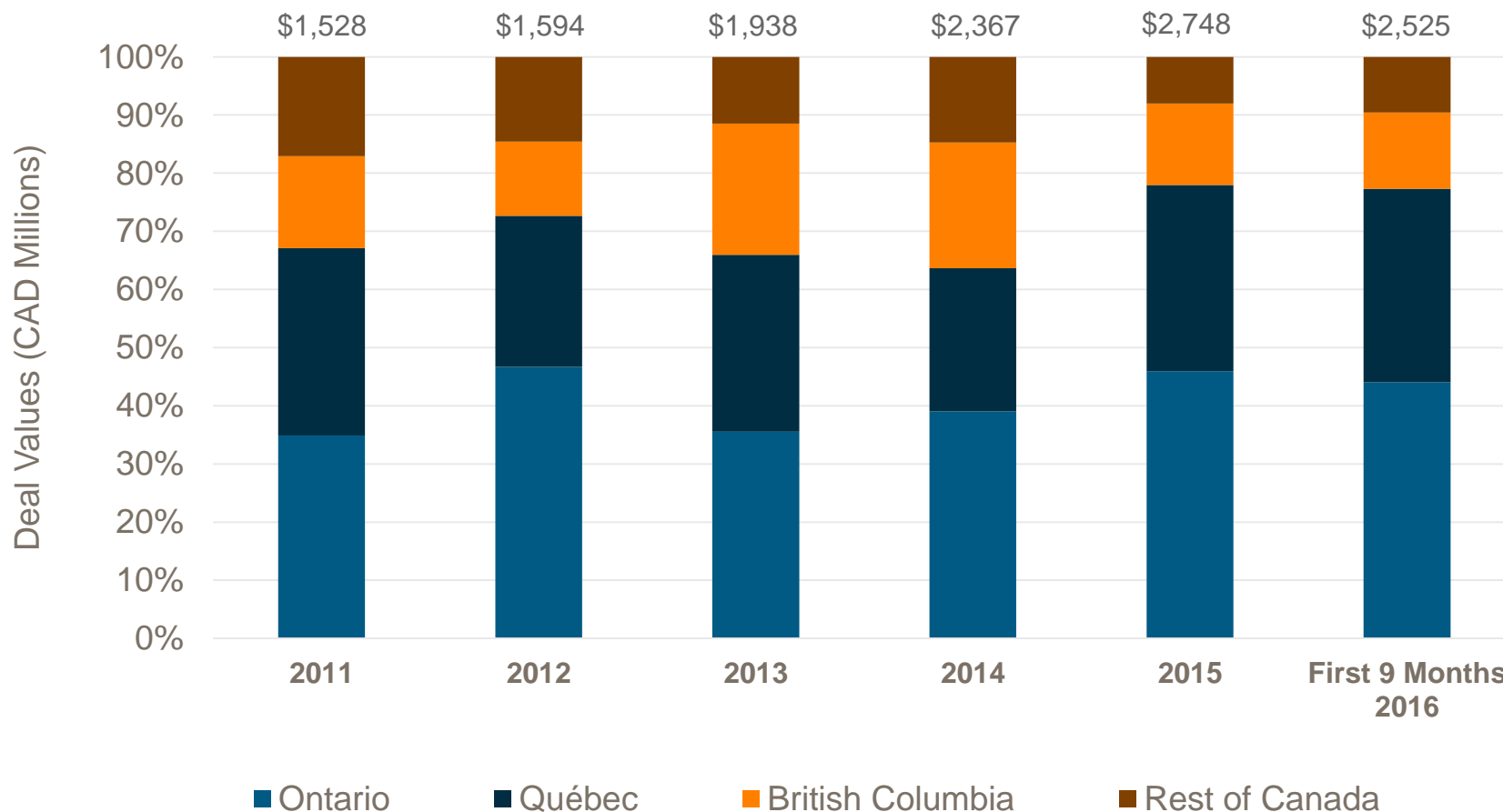
# 5% of VC Investment from Funds Overseas United States Investors Account for 36%



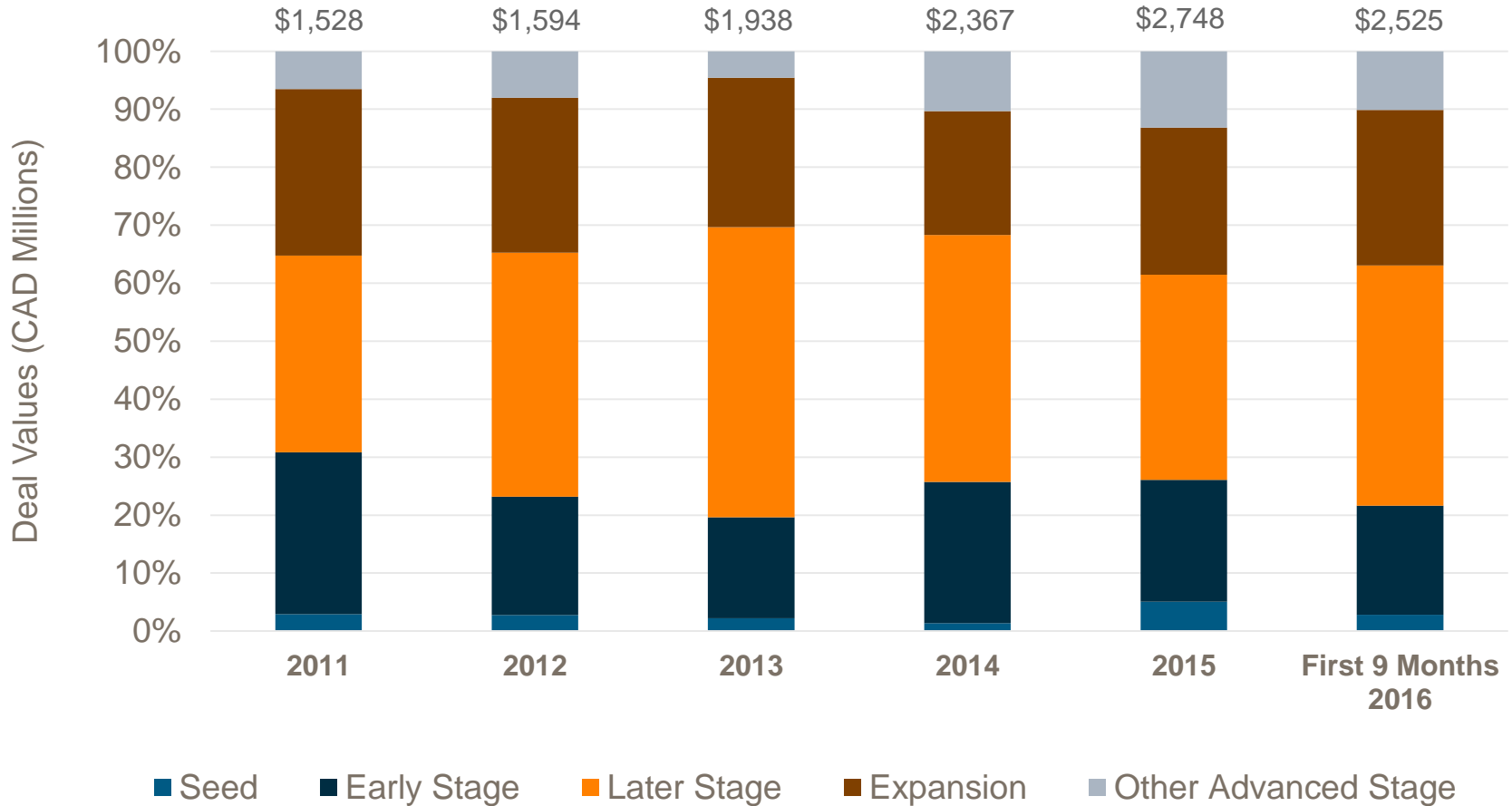
# Institutional & Retail Funds Step Up Activity with 8% and 6% of YTD Investment Overall



# \$442 Million Invested in Ontario Companies in Q3 Best Quarter for Ontario Since Q4 2002

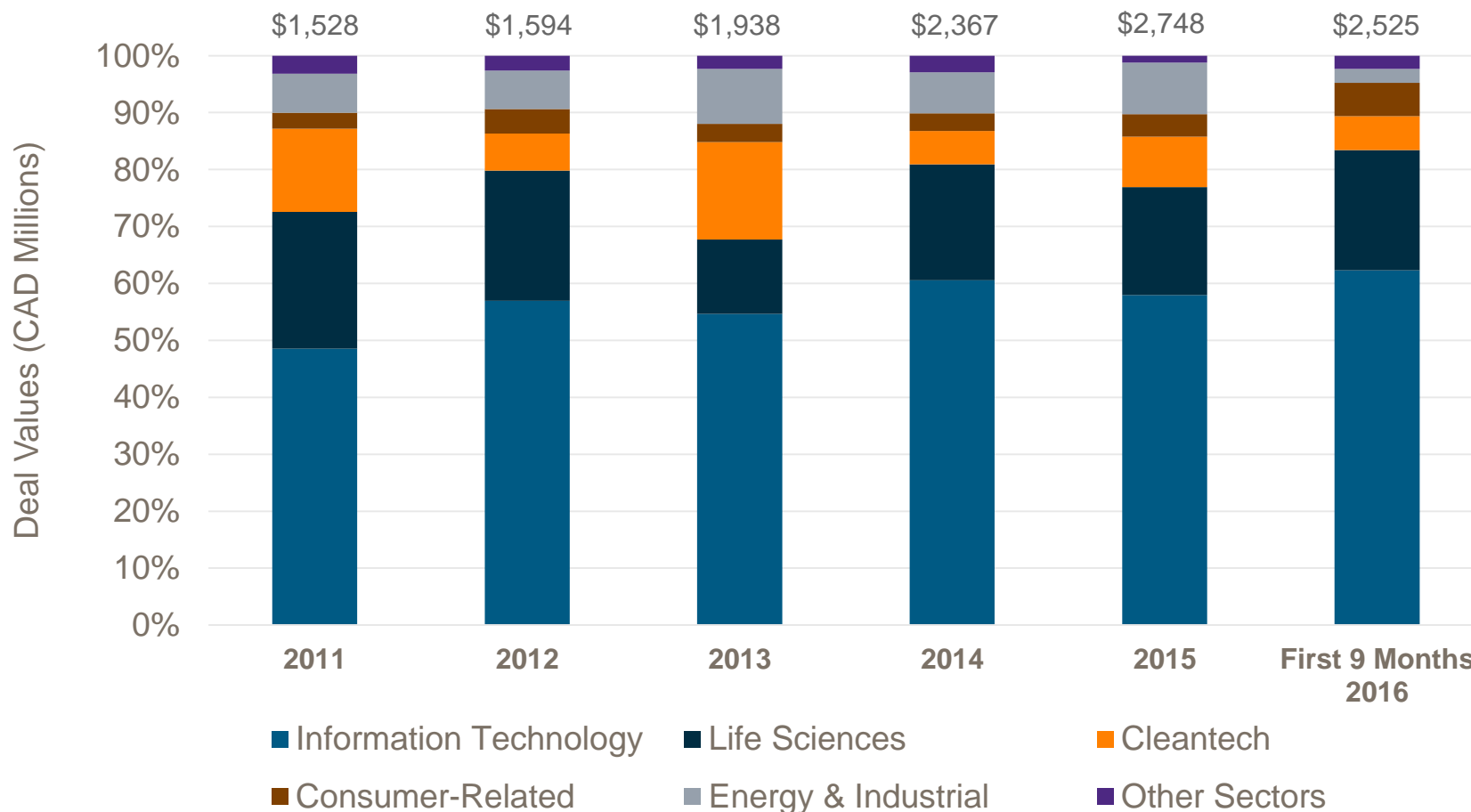


# Seed & Early Stage VC Falls to 21% of Activity VCs Focusing on Later Stages

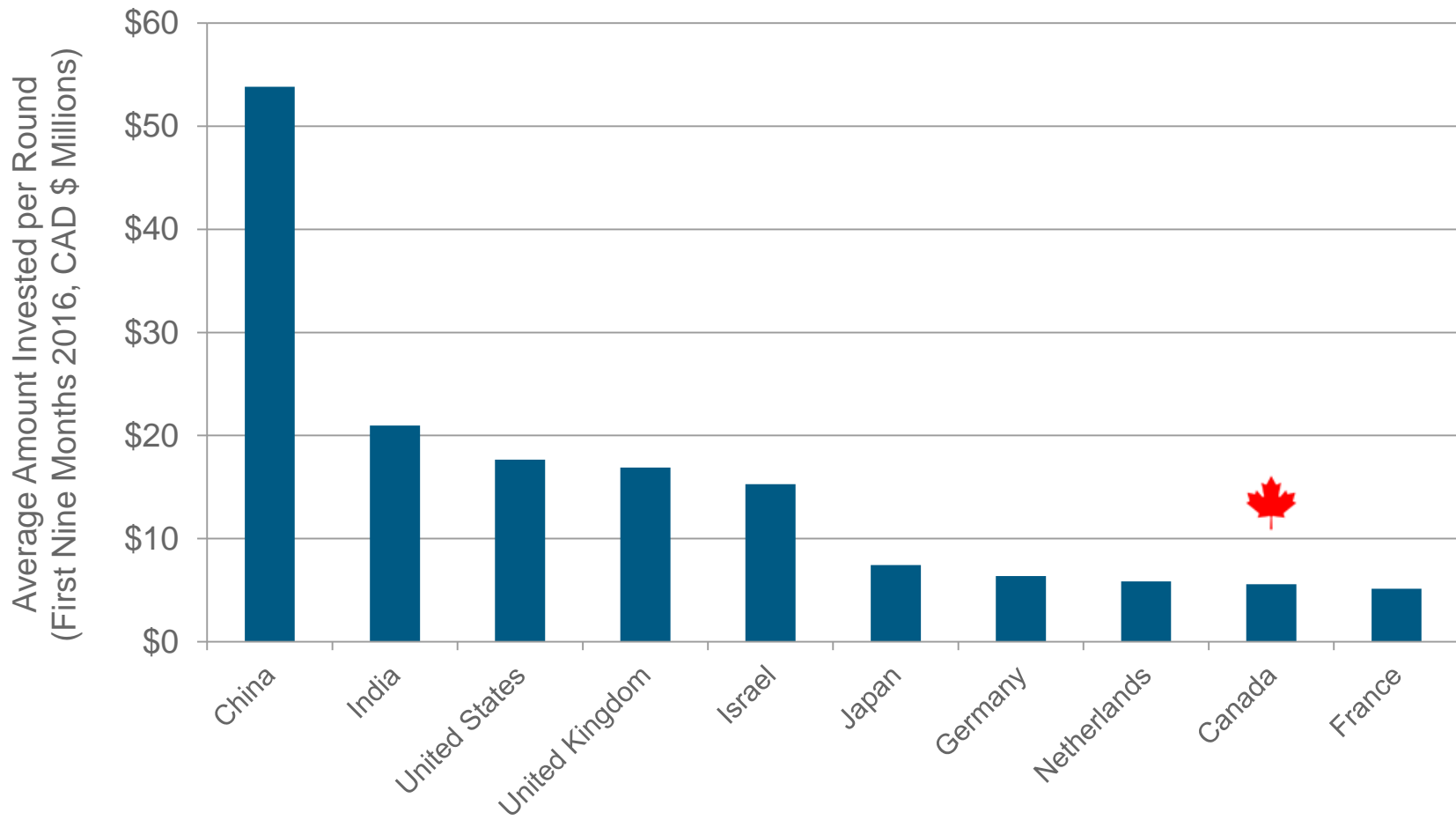




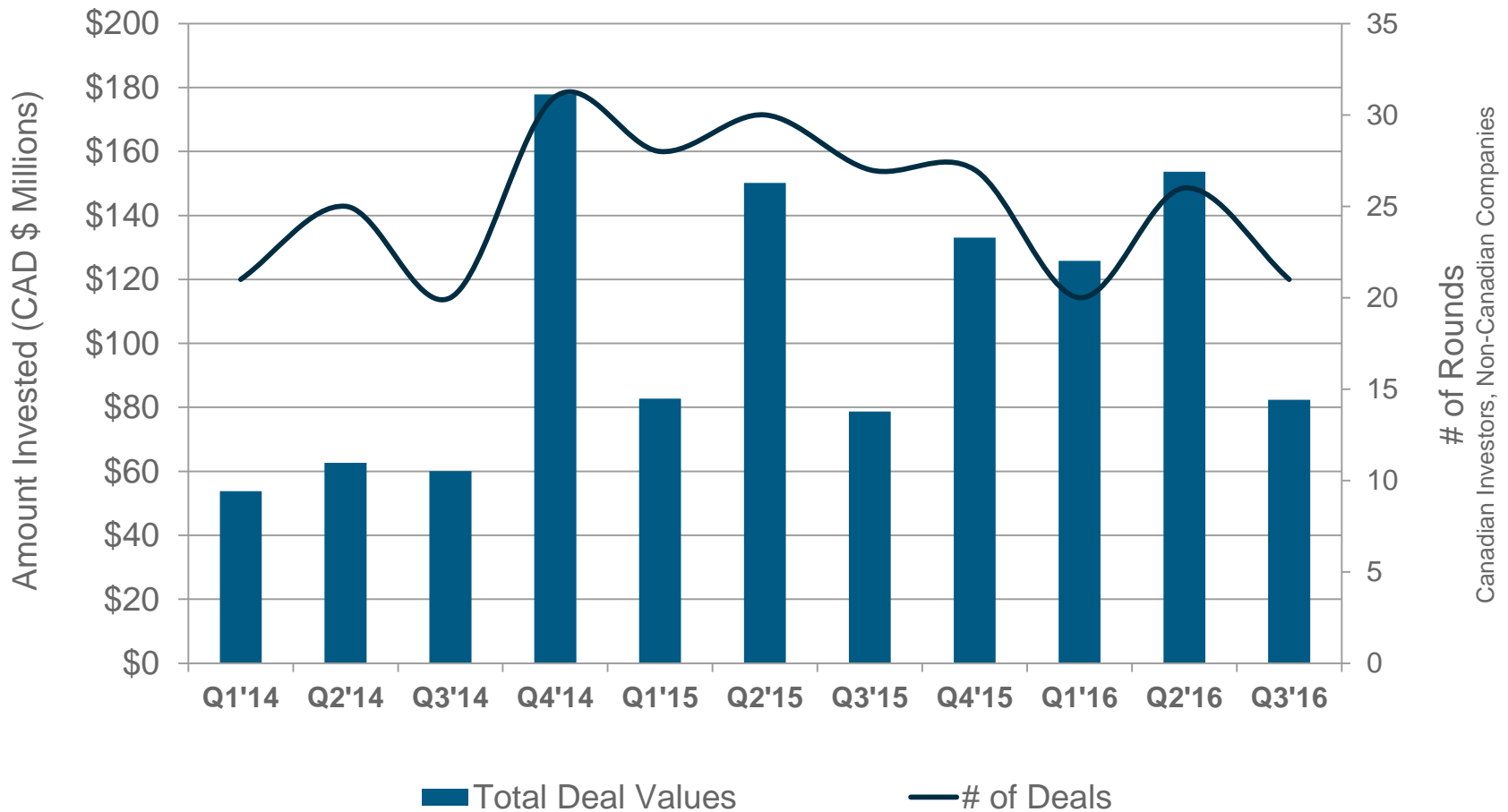
# IT Accounts for 62% of First 3Q Investment Life Sciences Takes 21%



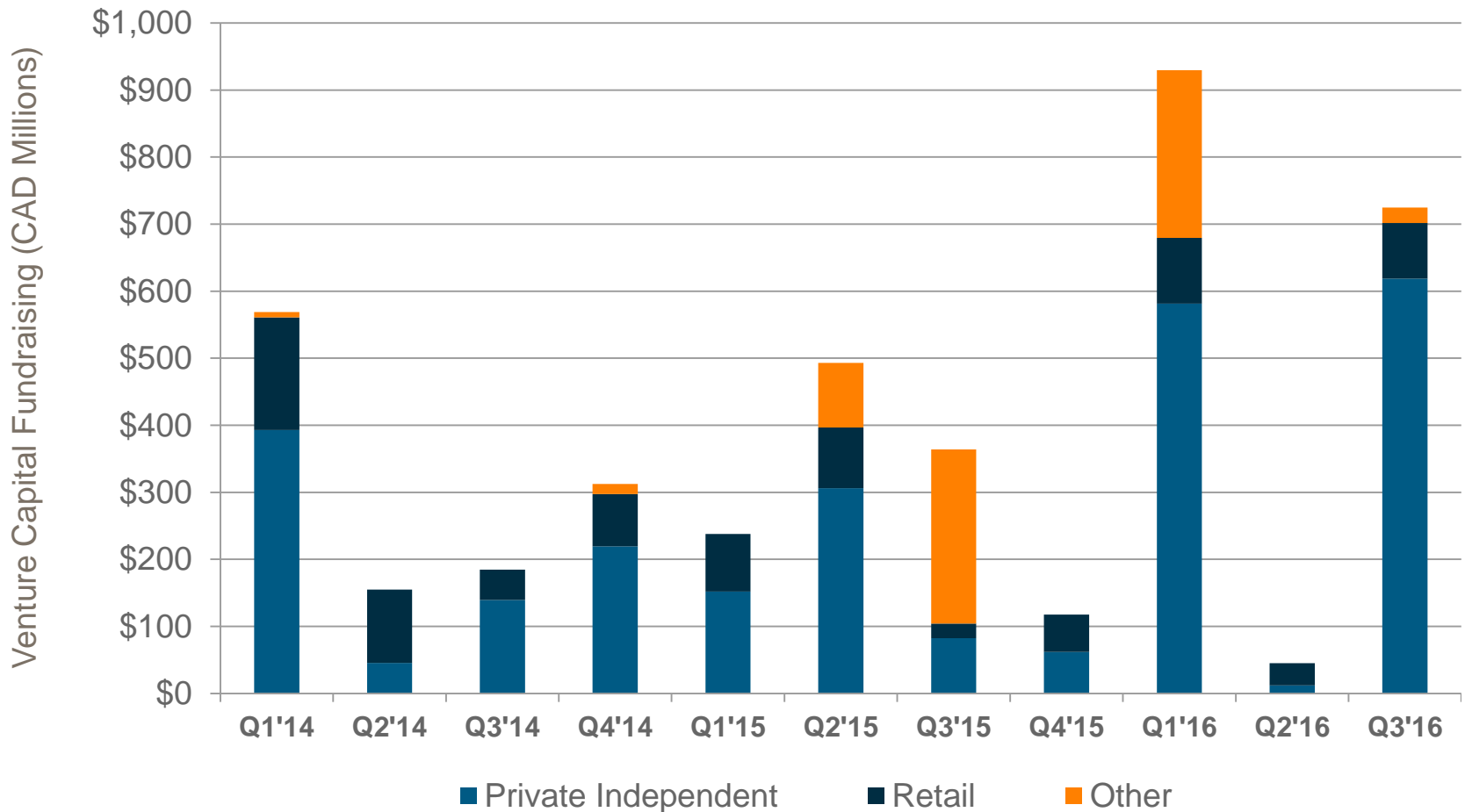
# Canada's Round Sizes No Longer Raking Last Among Top Ten VC-Attracting Nations



# Intact in Metromile & Georgian's Tealium Lead Canadian VC Dealmaking Abroad in Q3

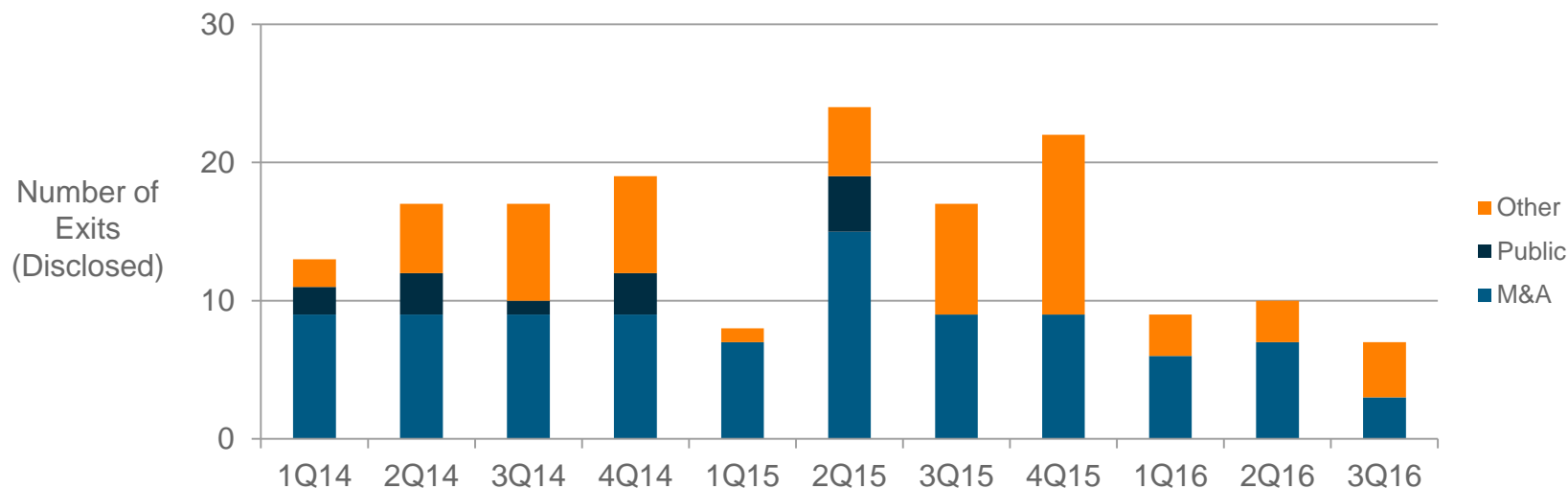


# Led by Georgian Partners III, Canadian VC Funds Raise \$725 Million in Q3



# Few Canadian IPOs in 2016, None VC-Backed Top Exits in First 9 Months 2016

Company Name	Type	Location	Rank Value (\$Mil)	Investors (Disclosed)
Fibre Noire Internet	M&A	Montreal	\$125.3	Novacap
CarteNav Solutions	M&A	Halifax	\$17.0	BDC, Atlantic Canada Opportunities Agency
Aimetis Corp	M&A	Waterloo	\$14.0	Venturelink Funds, Covington Capital Corp



# Explanatory Notes

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1. Data collected and analyzed by Thomson Reuters for this statistical report were drawn from a variety of sources. These include Thomson Reuters M&A databases, regulatory filings, and public and proprietary sources among the members of Réseau du capital d'investissement du Québec and other Canadian and non-resident fund managers responding to Thomson Reuters' quarterly surveys.
2. Rankings of top VC investors include only investment activity made in Canadian portfolio companies. Estimated investment activity is based on the actual syndicate breakdown, where available, and is split equally among disclosed investors where actual breakdowns are not available. Private independent, government, and other funds are independently ranked in their respective categories. Rankings capture the six-month period from January 1<sup>st</sup>, 2016 to September 30<sup>th</sup>, 2016.
3. All current and previous years data is as of Thursday, October 27th, 2016. Data is continuously updated and is therefore subject to change.
4. All figures are in Canadian dollars unless otherwise noted.
5. For further information on Thomson Reuters venture capital and private equity offerings, please visit us at:  
  
<http://thomsonreuters.com/en/products-services/financial/venture-capital-and-private-equity/private-equity-venture-capital.html>
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