



Canadian Venture Capital Review Full Year 2016

The intelligence, technology and human expertise
you need to find trusted answers.



the answer company™
THOMSON REUTERS®

Table of Contents

Canada's VC Market in 2016	3
\$ Invested and # Companies Financed	5
Top VC Deals	7
Top VC Investors	8
North American Rankings	10
Investor Type & Nationality	13
Canada by Sector & Stage	14
International VC Context	17
VC Funds Raised	19
Public and M&A Exits	20
Venture Capital Returns	21
Explanatory Notes & Contacts	22



Canadian Venture Capital Market Activity in 2016

Canadian VC Market Trends

Venture capital investment in Canadian companies reached a fevered pace in 2016, setting new heights not seen since the heights of the dot com boom. A total of 459 Canadian companies closed 571 rounds of financing totalling \$3.7 billion. This represented not only a fifteen-year high in dollars invested, but also a 36% increase over 2015, a year-over-year leap not seen since the year 2000, when VC investment more than doubled over 1999. While substantially more capital did flow to Canadian companies, it did not result in more companies being financed or deals being done. The number of venture capital rounds declined by 3% year-over-year, while the number of companies financed fell by 7%.

Growth was driven by large cap VC deals, with 14 companies raising rounds \$50 million or greater in 2016, smashing the previous record of 12 such companies reaching that threshold in the year 2000. This abundance of large cap rounds pulled Canada's average VC deal size up to \$6.5 million this year from \$4.6 million in 2015. However, Canada still ranked poorly compared to most other nations in terms of average round size, lagging far behind the USA at \$16.7 million, the United Kingdom at \$13.9 million, and Israel at \$14.4 million.

Investment by Canadian funds in non-Canadian companies also had a strong showing in 2016, with just over \$680 million invested in 92 deals. While this does represent a 54% increase in dollars invested from 2015, it was only this year that Canadian investment abroad returned to the more robust levels seen up to 2008. Highlights of Q3 dealmaking abroad included Ontario Teachers' investment in Jasper Infotech, an India-based online shopping company; 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.

Canadian Fund Performance

While investment activity was on the rise in 2016, the performance of Canadian venture capital and growth equity funds had not reached the same heights. Data provided by Cambridge Associates shows Canadian venture capital & growth equity funds with vintage years of 2000 or greater returned a since inception IRR of only 2.9% as of September 30th this year, lagging far behind their US counterparts, public market equivalents, and only recently returning to positive territory.

Canadian Venture Capital Market Activity in 2016

Canadian VC Trends by Region

In a year when most US states saw their venture capital dealmaking decline from 2015 levels, Ontario and Québec stood out as two of the brightest spots in North America. With 225 deals valued at \$1.8 billion, Ontario showed 48% growth over 2015, propelling the province into 4th place, behind only California, New York, and Massachusetts. The province of Québec, with 182 deals valued at \$1.1 billion, still showed an impressive 26% growth year-over-year, earning a 9th place ranking.

Though Montreal had been leading Canadian cities as of the first nine months, Toronto pulled ahead with some substantial large-cap dealmaking in Q4, concluding the year with 158 deals valued at \$1.2 billion. This represented a 52% increase from 2015 and pulled Toronto into 9th place among North American cities. With 133 deals valued at \$909 million, Montreal placed 12th, the two Canadian cities being separated in the rankings by Seattle and Chicago.

Canadian VC Trends by Sector

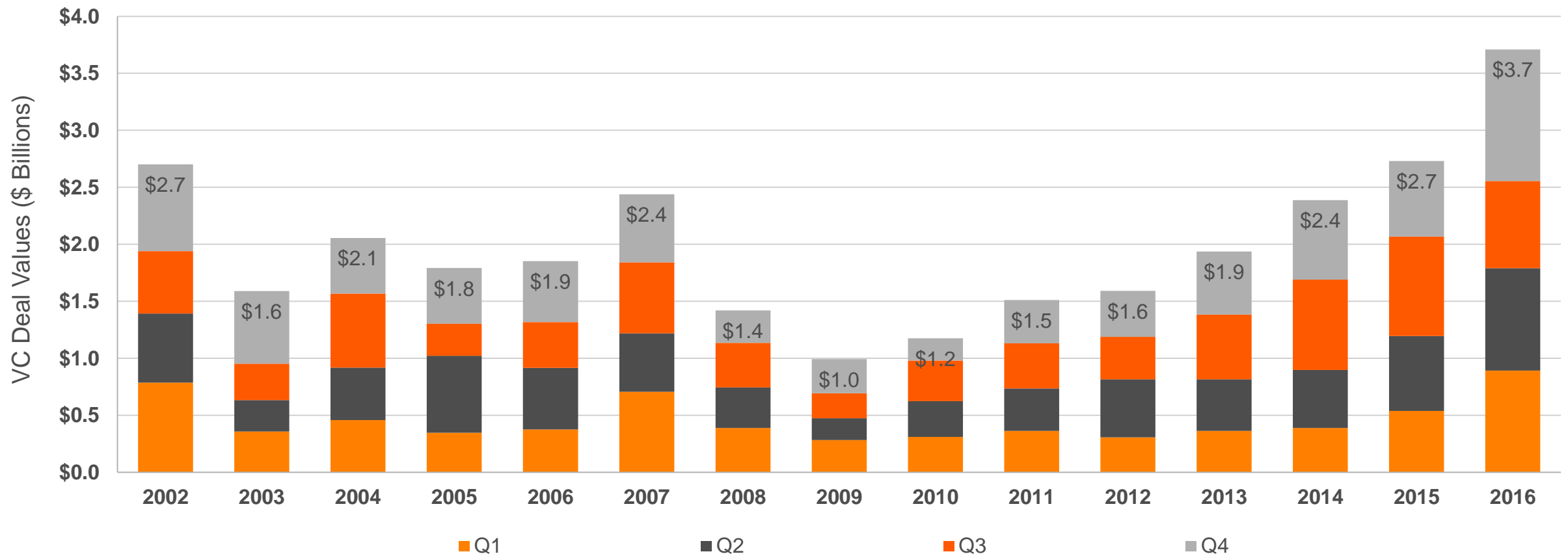
The information technology sector continues to be the driving force behind Canadian venture capital investment, with \$2.1 billion invested, or 56% of all market activity. Within that sector, Canadian software companies alone raised \$1.2 billion, 4% more venture capital than was raised by all sectors combined just six years ago. Life sciences companies followed in second place with \$1.1 billion, or 30% of market activity, while further investment was rounded out by other niche sectors including \$172 million going to cleantech companies, and \$168 million to consumer-related businesses.

Canada VC Fundraising Trends

Following on the heels of a lacklustre 2014 and 2015, Canadian venture capital fundraising set new heights in 2016. A total of 26 funds raised \$2.2 billion, an 81% increase over 2015 and a thirteen year high. Such strong levels of VC fundraising suggest Canadian companies will find more funding options available to them in the years to come.

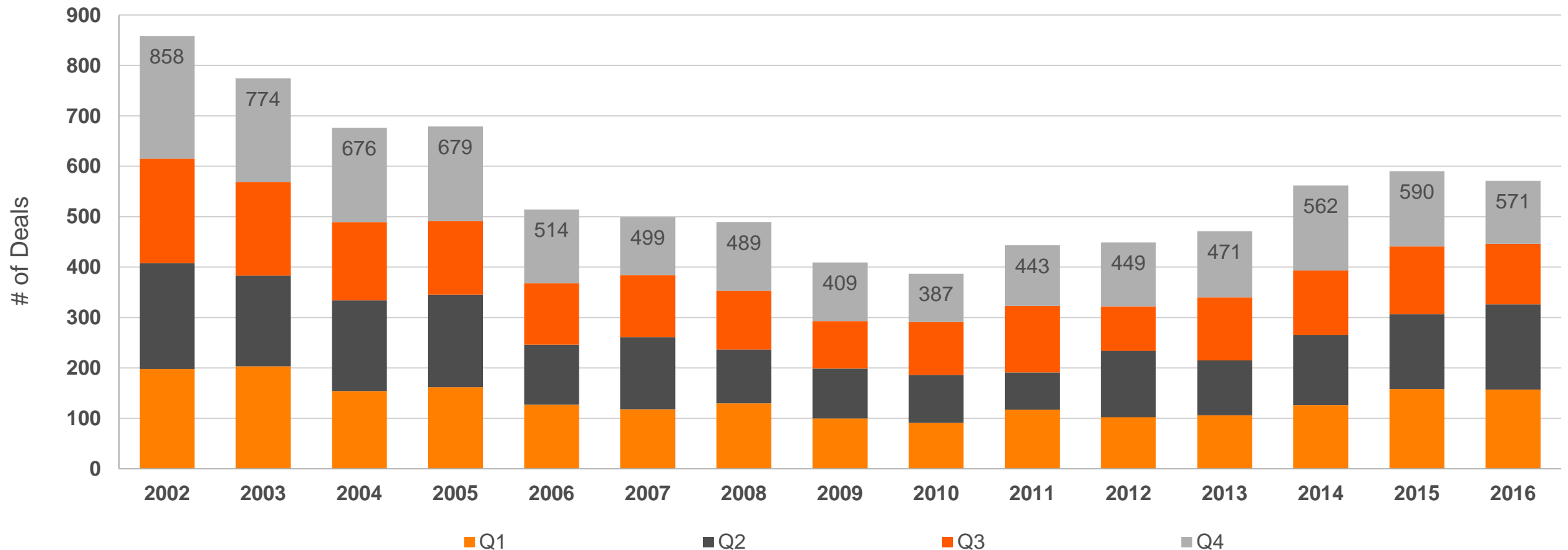
Historical VC Investment in Canadian Companies: Deal Values

Canadian companies raised more venture capital in 2016 than in any year since 2001, showing a 36% increase over 2015 and setting a new fifteen-year high.



Historical VC Investment in Canadian Companies: Deal Volumes

More capital flowing to Canadian companies has resulted in larger rounds, but not more of them. Deal volumes down 3% from last year.



Top Canadian Venture Capital Deals, 2016

Rank	Portfolio Company				Investors
	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	BlueRock Therapeutics	\$295.3	Toronto, ON	Regenerative Medicine	Versant Ventures, Bayer
2	Thalmic Labs	\$158.4	Kitchener, ON	Wearable Technologies	Intel Capital, Amazon Alexa Fund, Fidelity Investments Canada, Spark Capital, First Round Capital, iNovia
3	DalCor Pharmaceuticals	\$126.7	Montreal, QC	Cardiovascular Treatments	Sanderling Ventures, Caisse de dépôt et placement du Québec, Fonds de solidarité FTQ, CTI Life Sciences
4	Real Matters	\$100.0	Toronto, ON	Mortgage Title Services	Urbana Corporation
5	Zymeworks	\$87.8	Vancouver, BC	Antibody & Protein Therapeutics	BDC Capital, Lumira Capital, Eli Lilly & Company, Celgene, CTI Life Sciences Fund, Fonds de solidarité FTQ, Perceptive Advisors, Teralys Capital, Northleaf Venture Catalyst Fund, Brace Pharma Capital, Merlin Nexus
6	Hopper	\$82.0	Montreal, QC	Consumer Mobile Apps	Caisse de dépôt et placement du Québec, Brightspark Ventures, Accomplice, OMERS Ventures, Investissement Québec, BDC Capital
7	Triotech Amusement	\$80.0	Montreal, QC	Entertainment & Edutainment Attractions	Caisse de dépôt et placement du Québec, Fonds de solidarité FTQ
8	Blockstream	\$75.8	Montreal, QC	Cryptocurrencies	Horizons Ventures, AXA Strategic Ventures, Digital Garage, AME Cloud Ventures, Blockchain Capital, FuturePerfect Ventures, Khosla Ventures, Mosaic Ventures, Seven Seas Venture Partners
9	Sterinova	\$70.0	Saint-Hyacinthe, QC	Biologic Products	Fonds de solidarité FTQ, Quebec Manufacturing Fund, Saint-Hyacinthe Technopole, Desjardins, Investissement Québec, Canada Economic Development for Quebec Regions
10	Flipp Corporation	\$61.0	Toronto, ON	Consumer Mobile Apps	General Atlantic



Top Private Independent Investors in Canadian Venture Capital Deals, 2016



Rank	Canadian Partnerships			Non-Canadian Partnerships		
	Firm Name	# Deals	Estimated Investments (\$ Millions)	Firm Name	# Deals	Estimated Investments (\$ Millions)
1	Real Ventures	63	\$35.6	Accomplice LLC	6	\$20.6
2	Cycle Capital	27	\$14.5	Enertech Capital	5	\$8.1
3	iNovia Capital	16	\$52.2	White Star Capital	5	\$5.7
4	Anges Quebec Capital	16	\$5.5	Wesley Clover	4	\$1.6
5	Teralys Capital	14	\$47.2	Y Combinator	4	\$1.1
6	Relay Ventures	13	\$27.0	Versant Venture Management	3	\$161.5
7	Rho Capital Partners	9	\$11.2	Kleiner Perkins Caufield & Byers LLC	3	\$21.8
8	Yaletown Venture Partners	9	\$8.9	Battery Ventures LP	3	\$16.9
9	CTI Life Sciences	6	\$40.0	Social+Capital Partnership	3	\$8.7
10	Avrio Capital	6	\$9.0	Acton Capital Partners GmbH	3	\$7.0

Top Government & Other Investors in Canadian Venture Capital Deals, 2016

Rank	Government Funds			Pension, Retail, Corporate & Institutional Funds		
	Firm Name	# Deals	Estimated Investments (\$ Millions)	Firm Name	# Deals	Estimated Investments (\$ Millions)
1	BDC Capital	114	\$157.2	Fonds de Solidarite FTQ	55	\$195.5
2	Mars Discovery District	27	\$23.9	New Brunswick Innovation Foundation	32	\$5.8
3	Export Development Canada	22	\$43.5	Desjardins Venture Capital	25	\$24.8
4	Investissement Quebec	7	\$34.1	Fondaction	12	\$16.3
5	Innovacorp	7	\$3.6	OMERS Ventures	11	\$40.3
6	FedDev Ontario	6	\$3.5	iGan Partners Inc	9	\$24.2
7	Sustainable Development Technology Canada	5	\$10.6	Golden Opportunities Fund	9	\$12.4
8	Atlantic Canada Opportunities Agency	5	\$1.3	La Caisse de Depot et Placement du Quebec	7	\$109.2

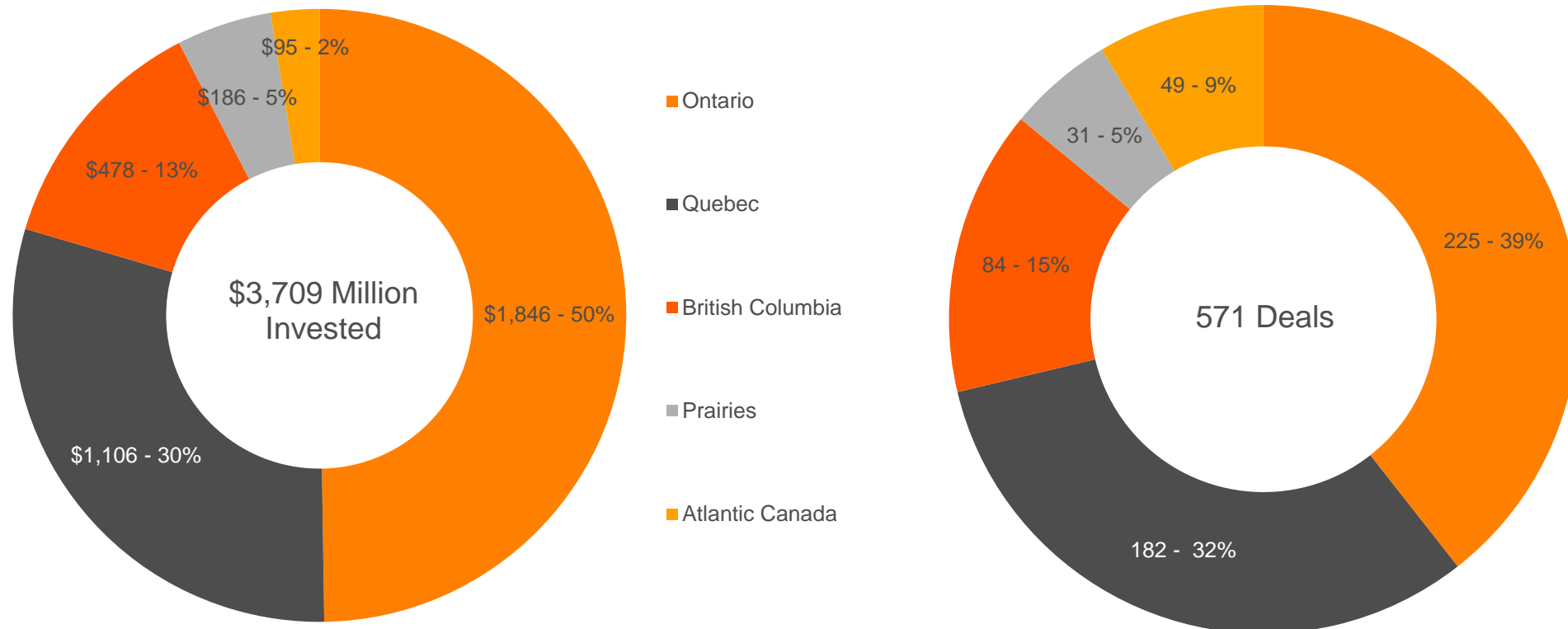
North American VC Rankings, by Province & State

North American Rankings				
2016 Rank	State / Province	# Deals	2016 VC Invested (\$ Millions)	\$ Change from 2015
1	California	1543	\$35,890	-18.4%
2	New York	467	\$8,064	-0.9%
3	Massachusetts	379	\$7,077	-7.8%
4	Ontario 	225	\$1,846	48.2%
5	Texas	174	\$1,709	11.5%
6	Florida	71	\$1,575	165.9%
7	Washington	98	\$1,220	-27.3%
8	Illinois	93	\$1,161	-16.3%
9	Québec 	182	\$1,106	26.0%
10	Pennsylvania	176	\$920	15.2%
11	New Jersey	43	\$889	-31.0%
12	Virginia	66	\$838	50.3%
13	Utah	52	\$737	-24.5%
14	North Carolina	62	\$607	-34.1%
15	Colorado	81	\$562	-43.9%

North American Rankings				
2016 Rank	State / Province	# Deals	2016 VC Invested (\$ Millions)	\$ Change from 2015
16	British Columbia 	84	\$478	27.1%
17	Minnesota	28	\$467	-8.7%
18	Georgia	49	\$458	-57.6%
19	Ohio	63	\$387	14.6%
20	Maryland	62	\$370	-69.2%
21	Michigan	45	\$331	-22.2%
22	Oregon	38	\$302	-0.3%
23	D. of Columbia	28	\$287	72.9%
24	Missouri	34	\$257	-20.1%
25	Connecticut	49	\$242	-58.0%
26	Tennessee	29	\$209	-29.5%
27	Arizona	32	\$209	7.2%
28	Manitoba 	7	\$135	3,278.9%
29	Wisconsin	20	\$129	5.0%
30	New Hampshire	8	\$110	-51.0%

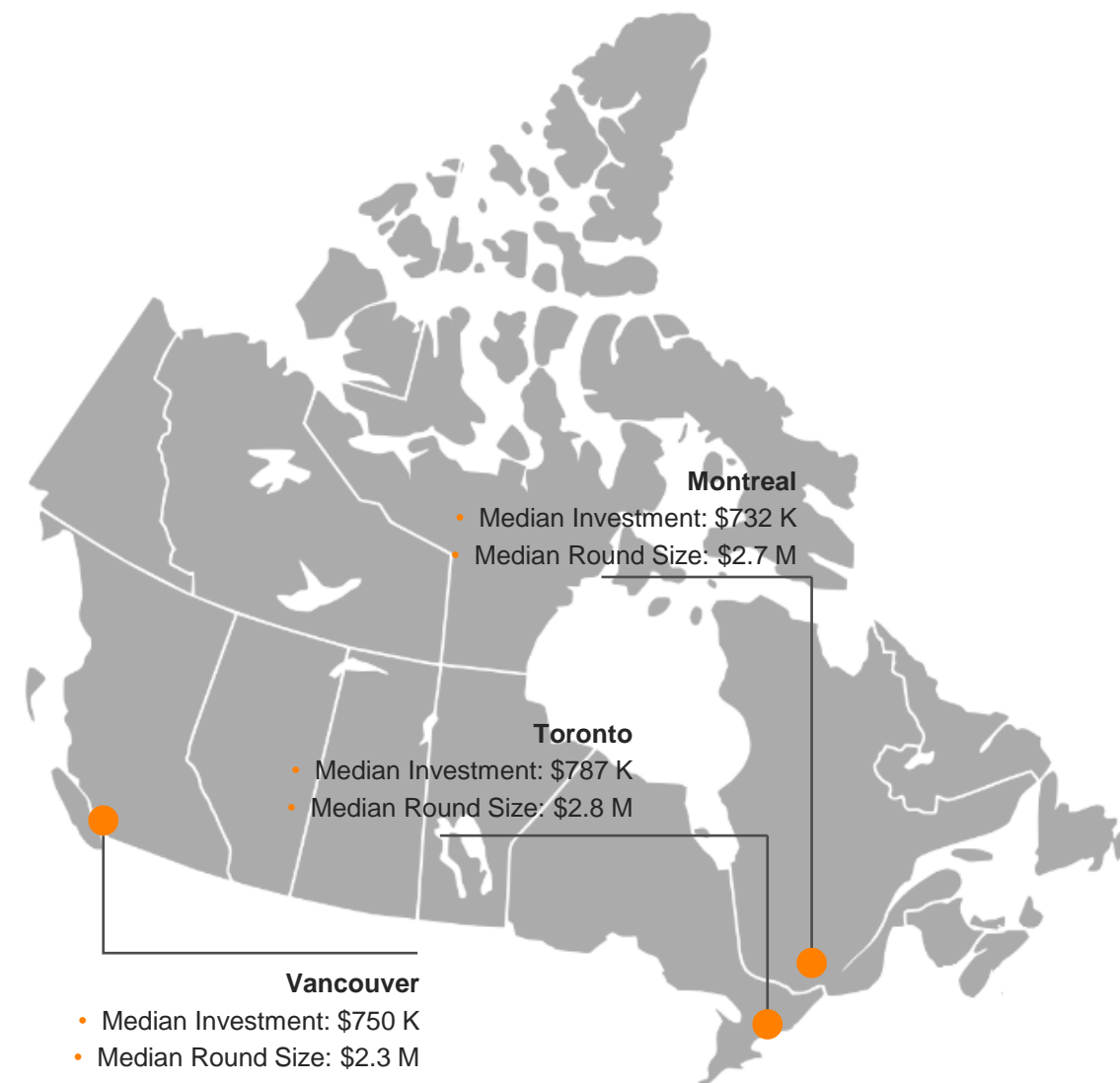
Canadian VC Investment by Province & Region

Collapse in Alberta dealmaking particularly pronounced in 2016, with a 63% decline in deal volumes and an 88% decline in deal values from just two years ago.



North American VC Rankings, by City

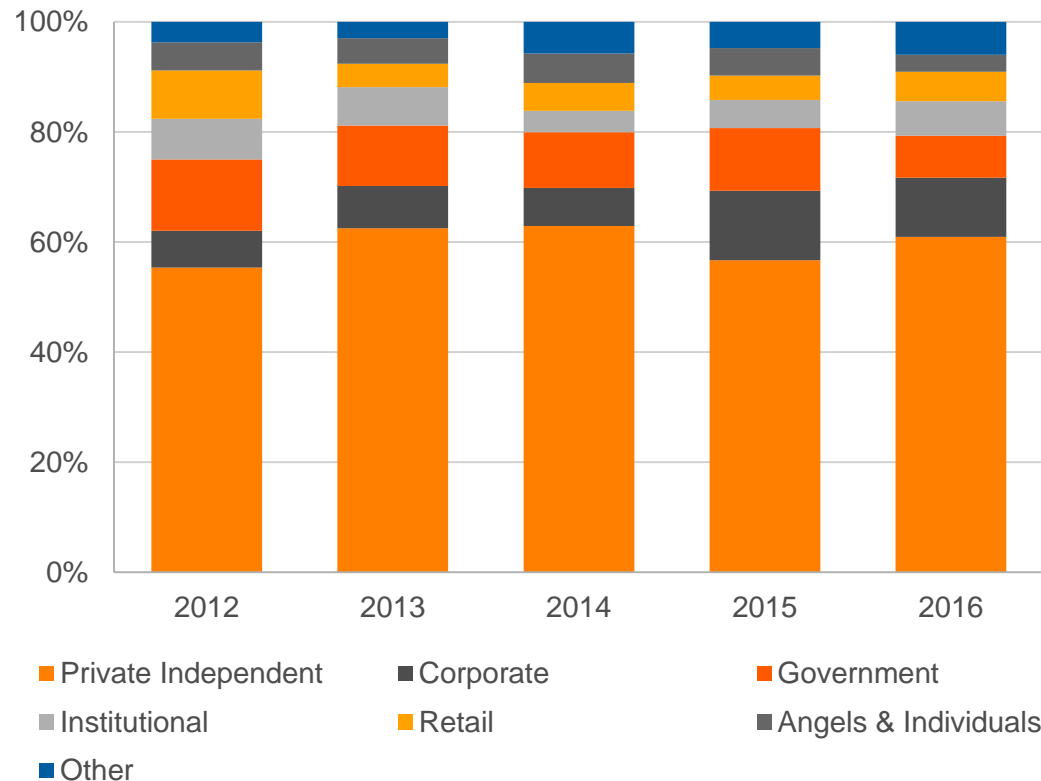
North American Rankings				
2016 Rank	Metro Area	# Deals	2016 VC Invested (\$ Millions)	\$ Change from 2015
1	San Francisco	606	\$18,738	-6.9%
2	San Jose	545	\$9,915	-36.7%
3	New York City	511	\$8,713	-8.7%
4	Boston	357	\$6,791	-6.6%
5	Los Angeles	192	\$4,088	-22.4%
6	Washington Metroplex	158	\$1,497	-22.1%
7	Orange County	86	\$1,477	13.6%
8	San Diego	87	\$1,415	-3.4%
9	Toronto 🇨🇦	158	\$1,221	52.7%
10	Seattle	90	\$1,195	-26.7%
11	Chicago	87	\$1,145	-16.3%
12	Montreal 🇨🇦	133	\$929	45.8%
13	Austin	107	\$839	-14.8%
14	Philadelphia	87	\$767	11.0%
15	Houston	29	\$563	165.6%



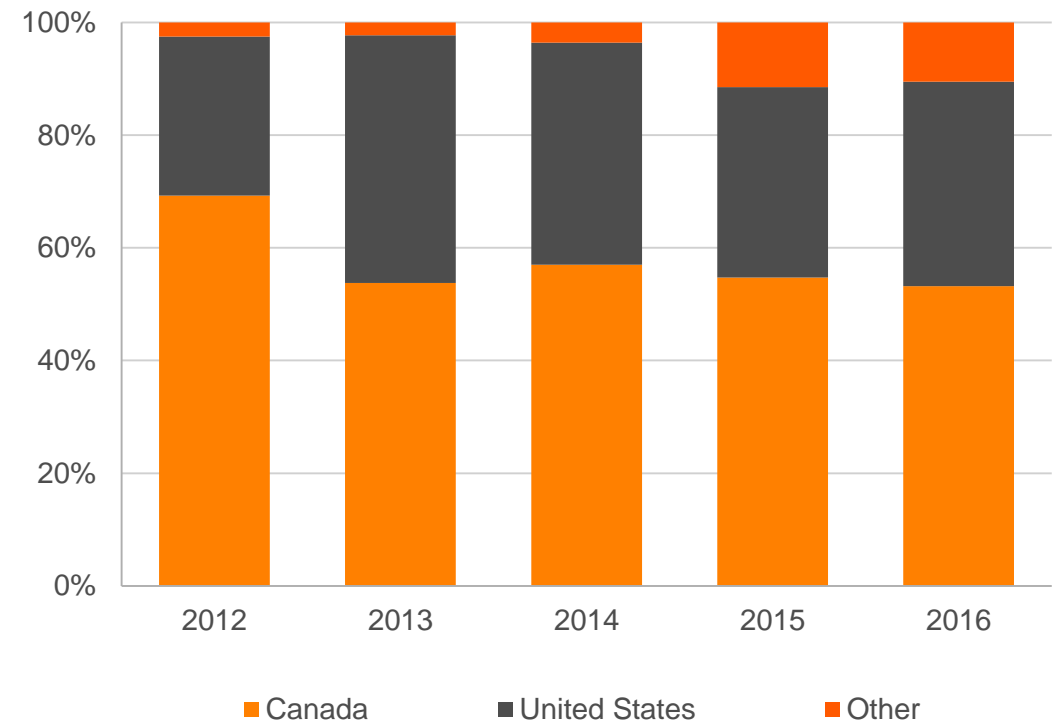
Venture Capital Investment by Origin of Capital

Direct investment by government funds falling as more opt for fund-of-funds approach.
Investment by overseas investors down from last year, but still standing at a robust 11%.

Investor Type



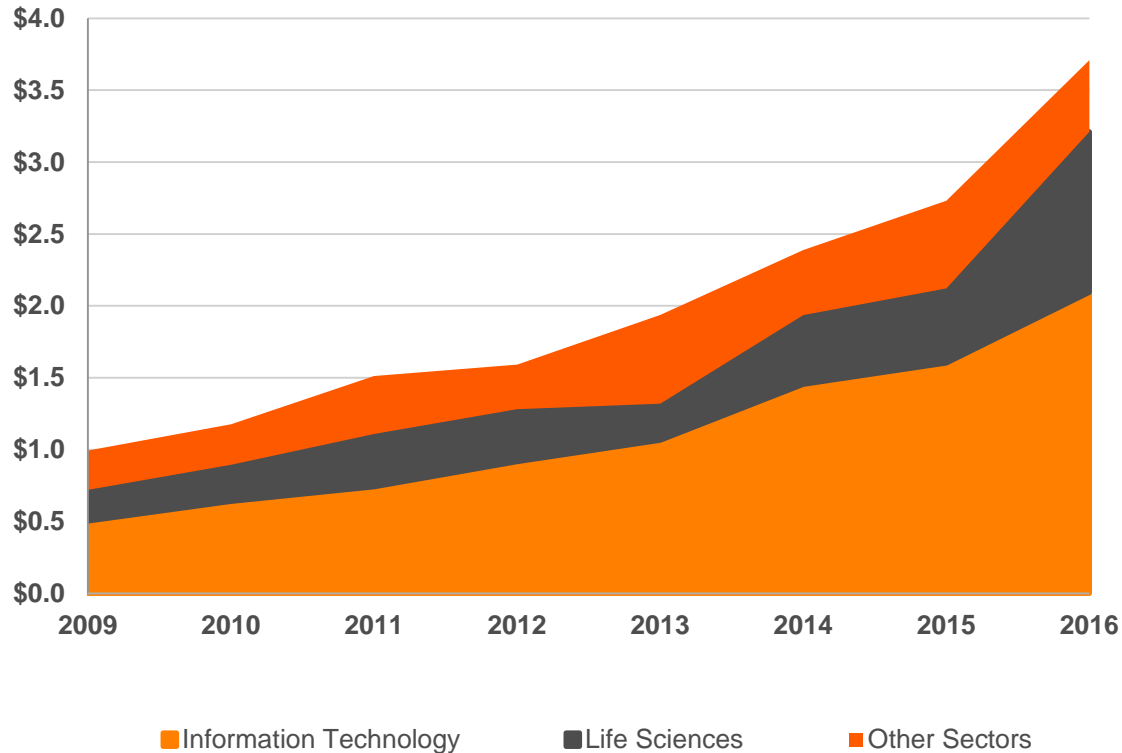
Investor Location



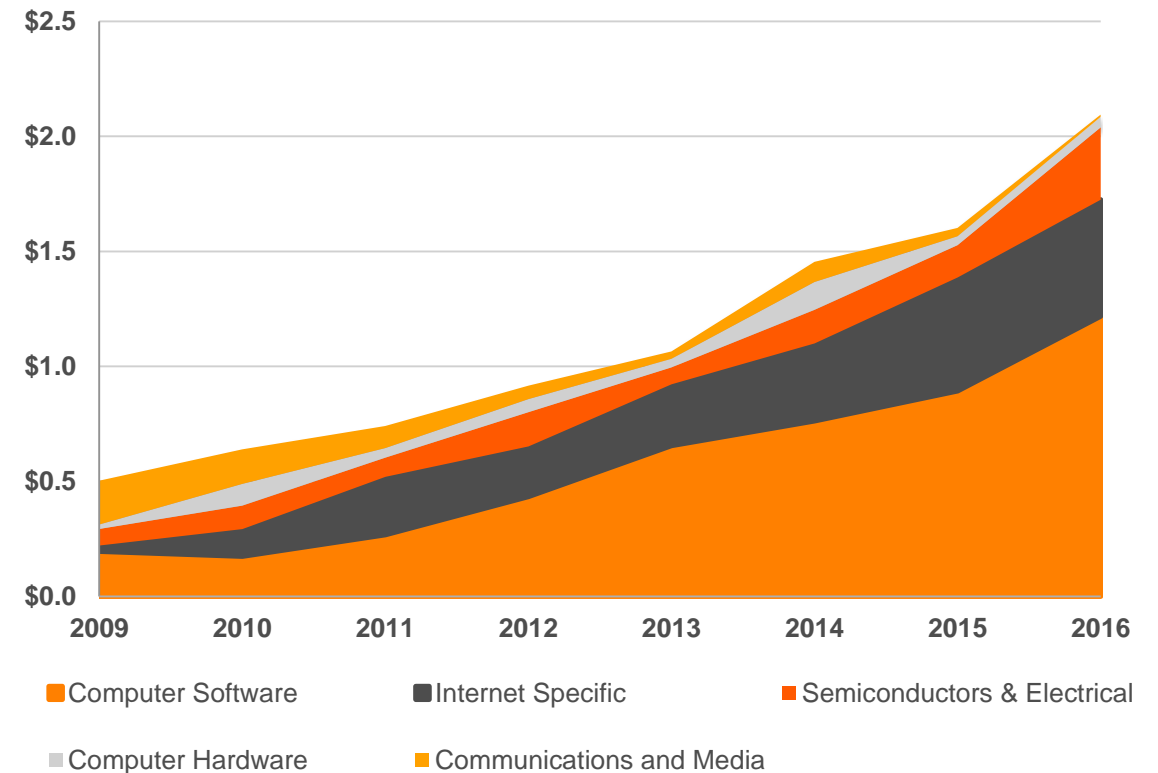
Information Technology Sector Driven by Software Dealmaking

In 2016, Canadian software companies alone raised \$1.2 billion, 4% more venture capital than was raised by all sectors combined just six years ago.

All Sectors



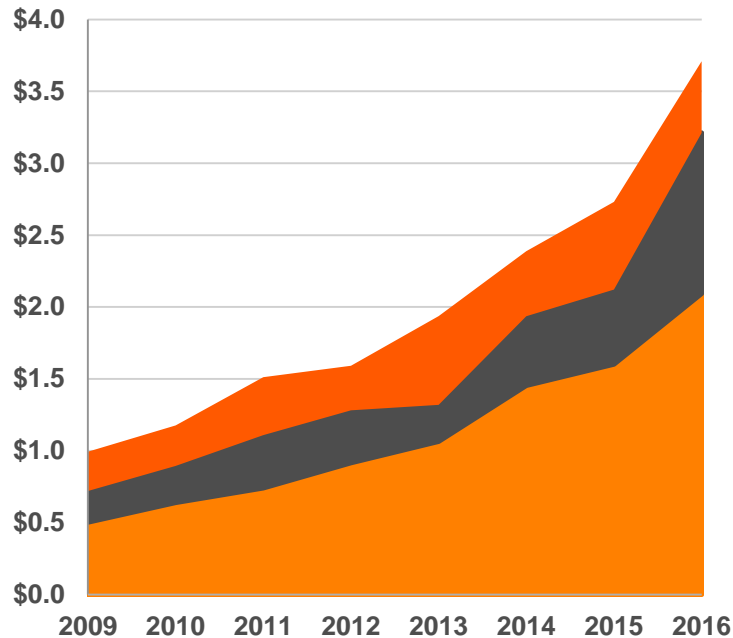
IT Sector Only



Life Sciences Companies Break New Ground as Cleantech Sector Wanes

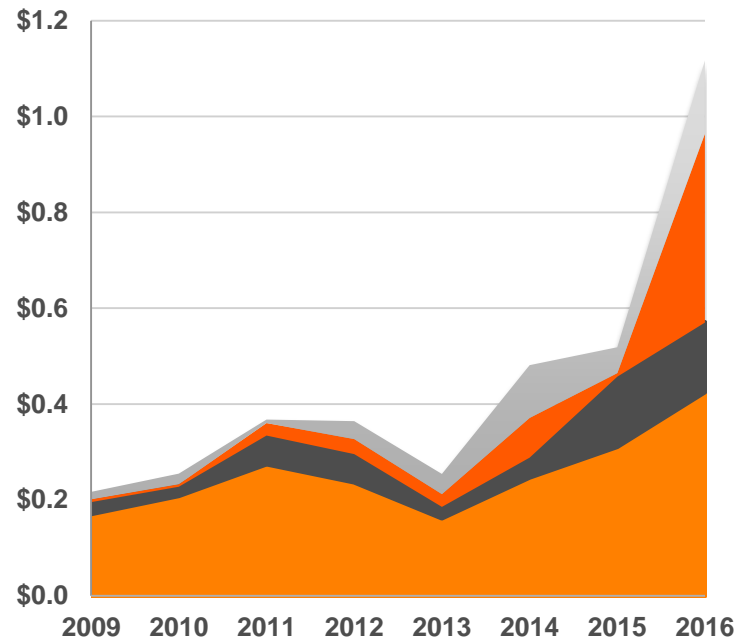
Life sciences VC deals break \$1 billion in 2016, doubling 2015. Cleantech sector struggles as disbursements fall 31% year-over-year; consumer-focused investment grows by 85%

All Sectors



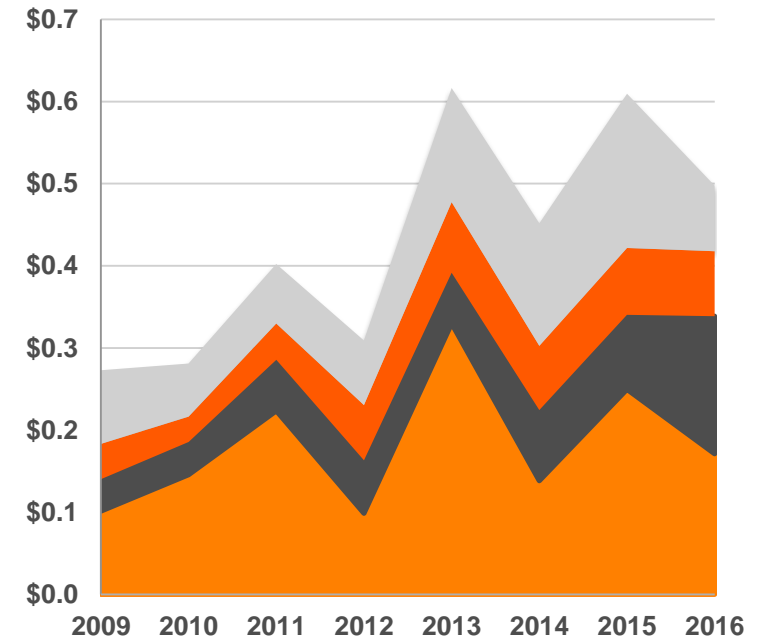
Information Technology Life Sciences Other Sectors

Life Sciences Sector Only



Biotechnology Pharmaceuticals Other
Medical Therapeutics

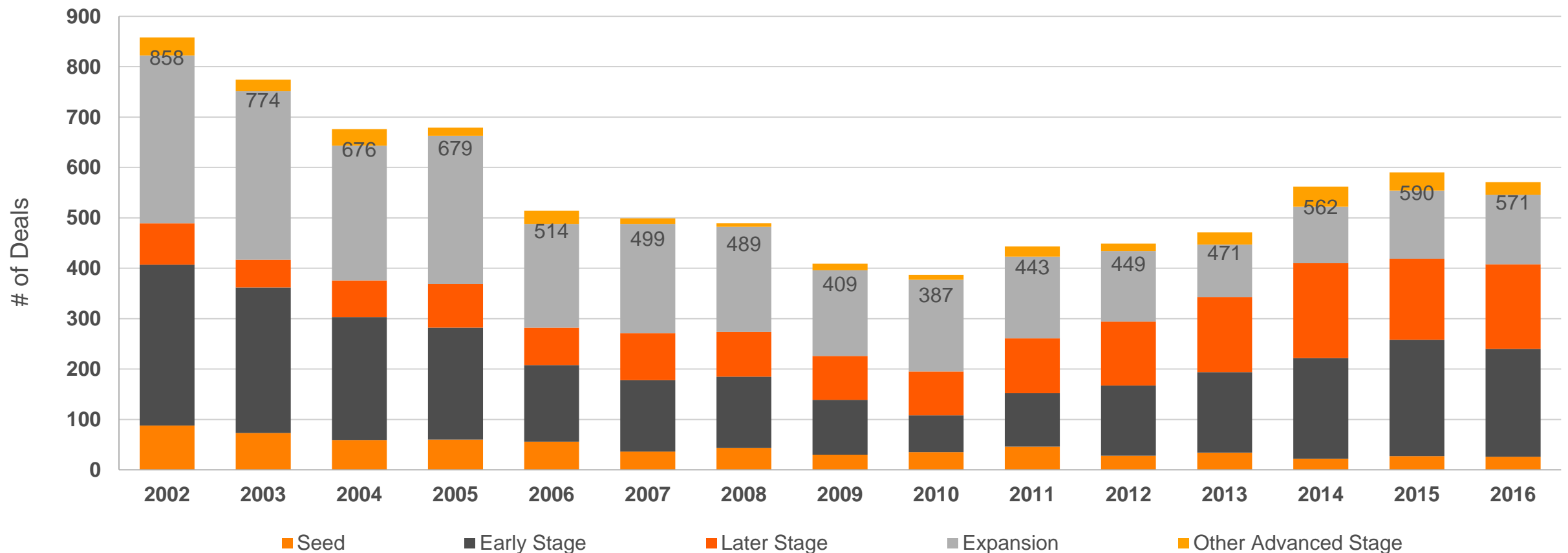
Other Sectors Only



Cleantech Consumer Related Other
Energy & Industrial

VC Investment in Canadian Companies: Deal Stages

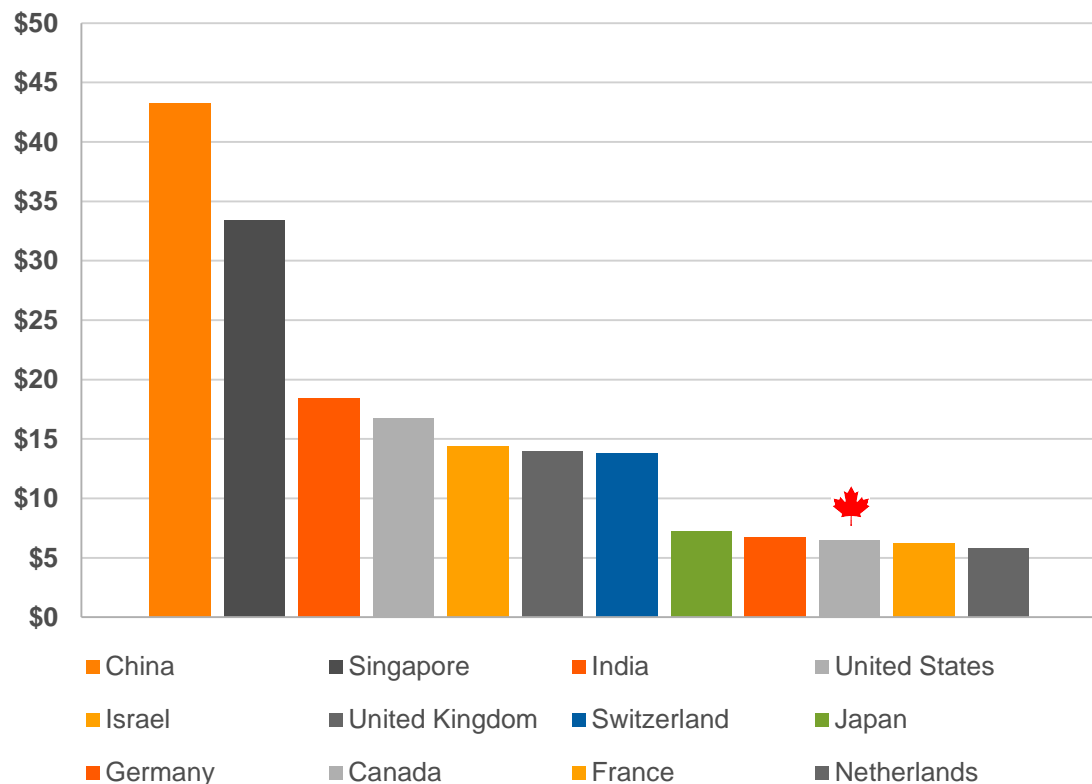
Early stage deal volumes decline by 7% in 2016, following five straight years of double digit growth. Seed stage deal volume down by 4% as investors gravitate to later stage deals.



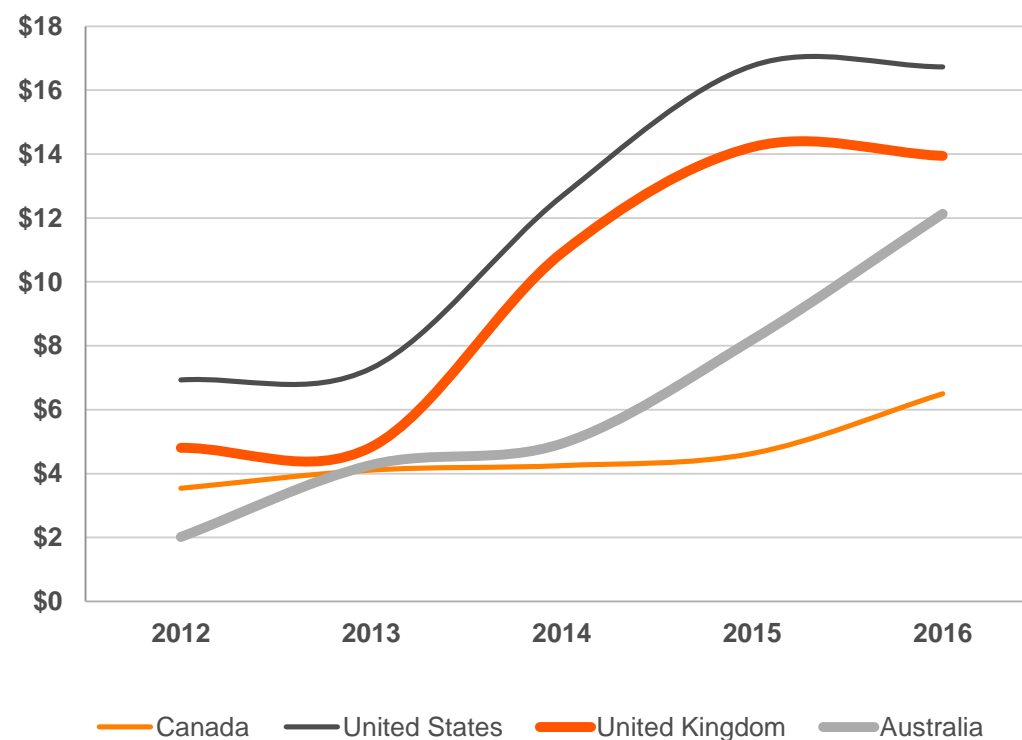
VC Deal Sizes in Canada, International Context

Average Canadian VC round size remains small at \$6.5 million, but demonstrates upward trajectory in 2016 while most major regions fell flat.

Average 2016 VC Deal Size (\$ Millions)



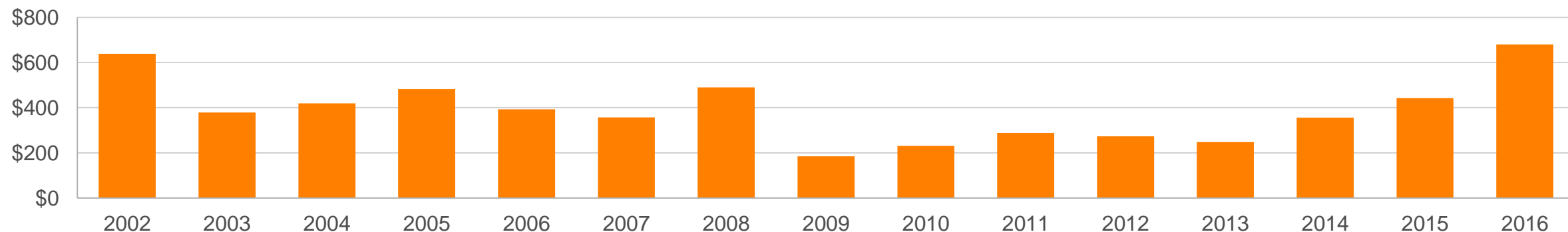
Average VC Deal Size (\$ Millions)



Canadian Dealmaking Abroad

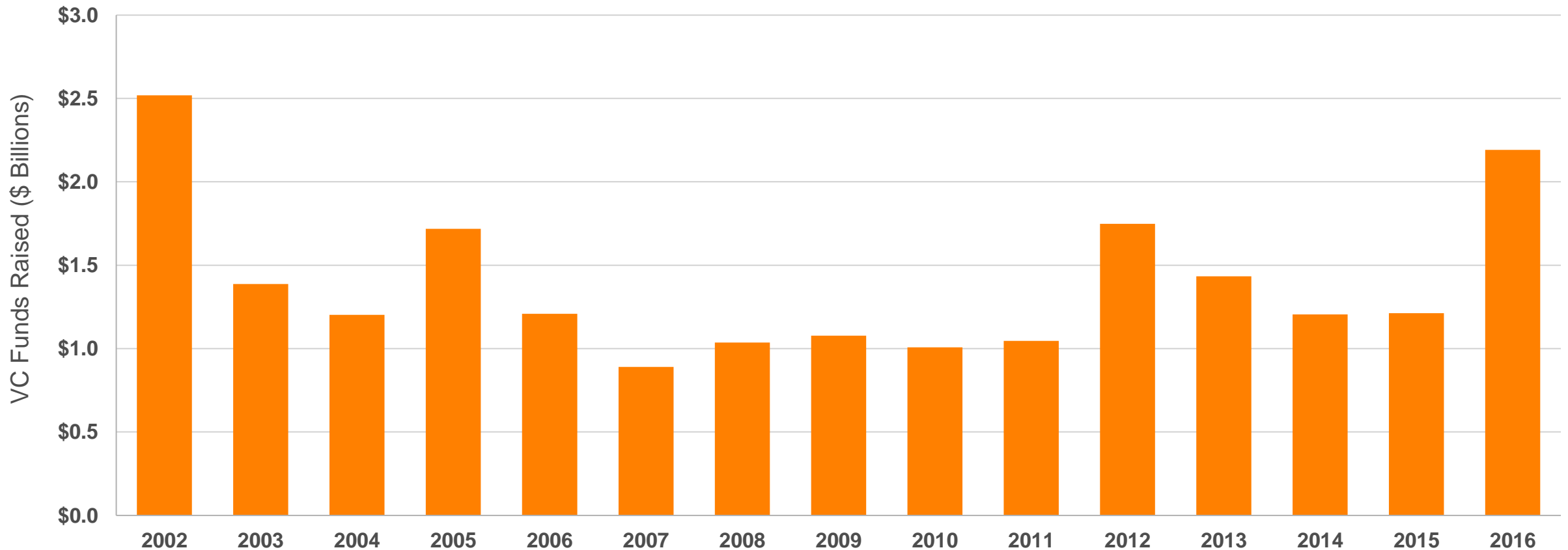
While investment by Canadian VCs in non-Canadian companies increased by 54% in 2016, only this year has foreign investment returned to 2008 levels.

Rank	Portfolio Company				Investors
	Company Name	Deal Value (\$ Millions)	Location	Sector	Canadian Investors (Disclosed)
1	Jasper Infotech	\$276.7	New Delhi, India	Online Shopping	Ontario Teachers Pension Plan
2	MetroMile	\$200.4	San Francisco, CA	Insurance Solutions	Intact Financial
3	F2G	\$76.8	Manchester, UK	Drug Development	Sectoral Asset Management
4	Apra	\$67.6	Solna, Sweden	Drug Development	Sectoral Asset Management
5	Personal Capital Corporation	\$65.5	San Carlos, CA	Digital Wealth Management	IGM Financial



VC Fundraising by Canadian Firms

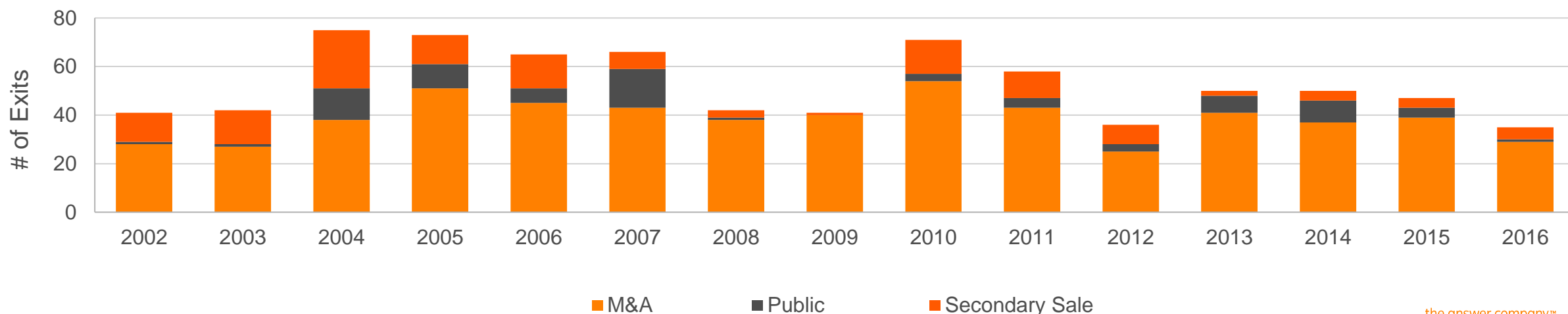
A total of 26 funds raised \$2.2 billion in 2016, an 81% increase over 2015 and the strongest year for Canadian VC fundraising since the height of the dot com era.



Canadian VC-Backed Exits

With only 35 disclosed exits completed in 2016, exit volumes reached a low not seen since 1998.

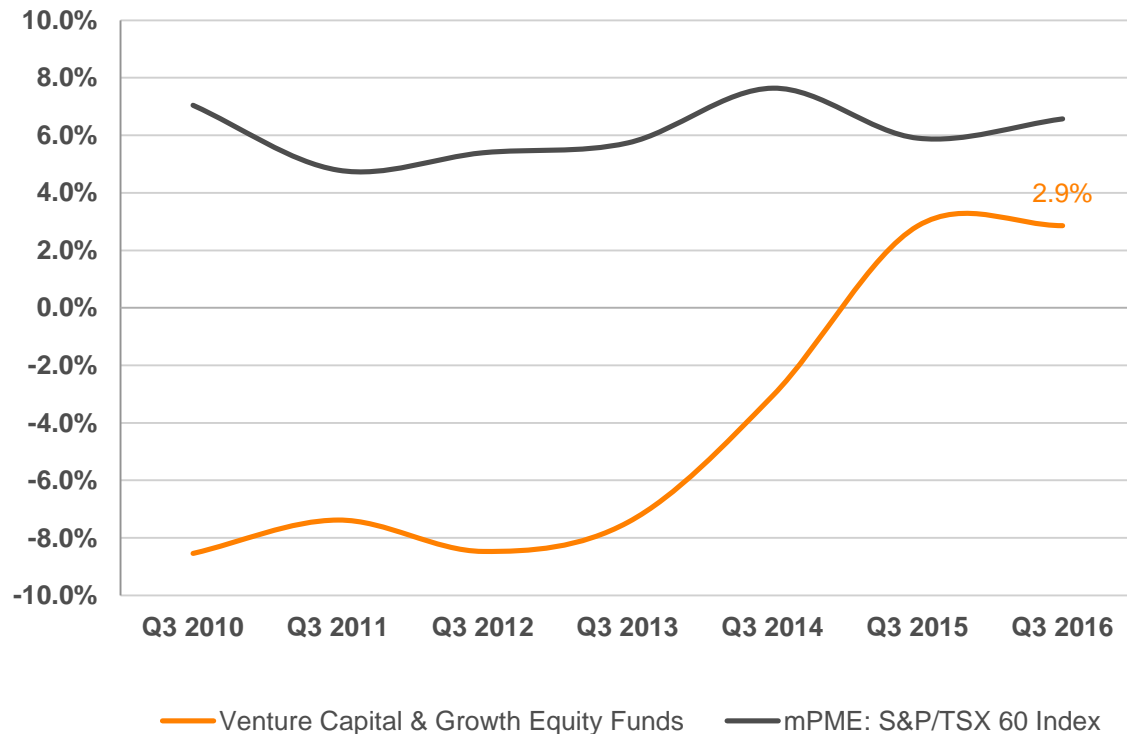
Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investors (Disclosed)
1	Cynapsus Therapeutics	\$729	Toronto, ON	Pharmaceuticals	Aisling Capital, Orbimed Advisors, Venrock
2	QHR Corp	\$150	Kelowna, BC	Healthcare IT	Penderfund Capital Management
3	Fibre Noire Internet	\$125	Montreal, QC	Telecommunications	Novacap
4	SkipTheDishes Restaurant Services	\$110	Winnipeg, MB	Online Takeout Services	Founder Collective, Golden Venture Partners, Two Small Fish Ventures



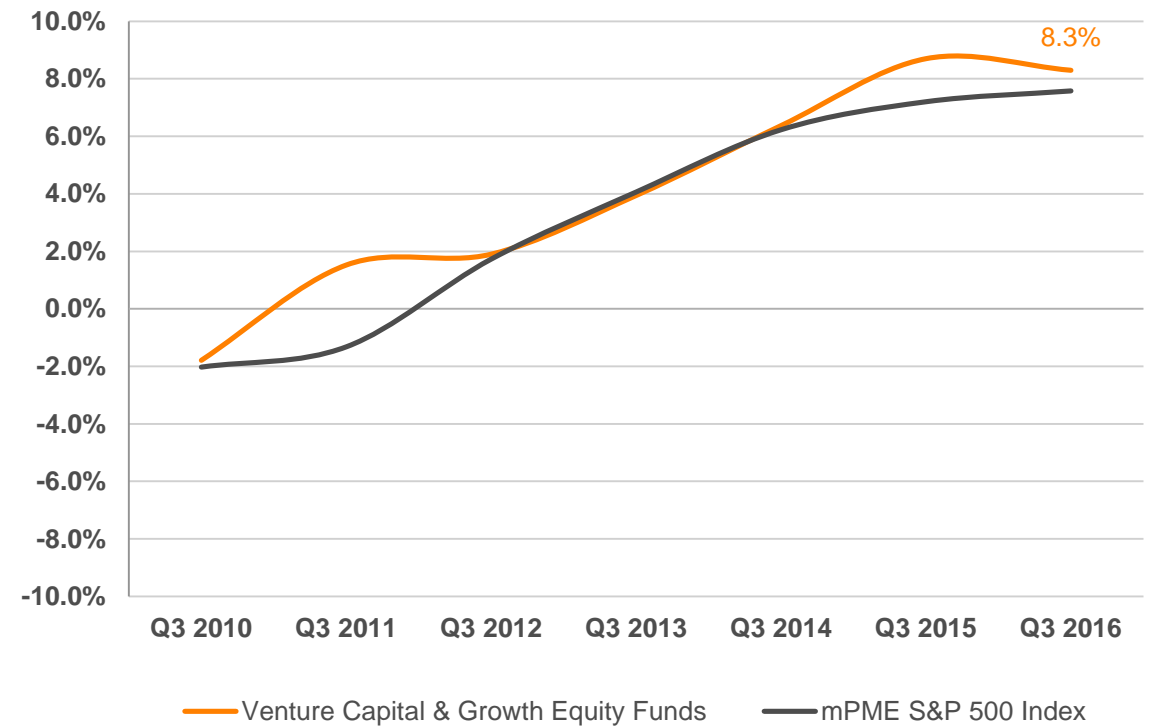
Cambridge Associates: Venture Capital Fund Performance

Canadian private independent funds holding positive returns following long stretch of underperformance, but still lagging US-based funds, public markets.

Canada



United States



Explanatory Notes

1. Data collected and analyzed by Thomson Reuters for this statistical report were drawn from a variety of sources including Thomson Reuters M&A databases, regulatory filings, press releases, and proprietary investor reports from Canadian and non-resident fund managers.
2. The Thomson Reuters Canadian venture capital report measures cash for equity and quasi-equity investments by the professional venture capital community in emerging companies in Canada. These transactions are referred to as **VCReporter Deals** on Thomson Reuters databases.
3. The report includes the investment activity of professional venture capital firms, whether Canadian-based or not, including private independent funds, retail funds (LSVCCs and PVCCs), venture arms of corporations, institutions, government funds, angel funds, and similar entities whose primary activity is financial investing. Where there are additional participants such as angels, corporations, governments, or company officers in a qualified and verified financing round, the entire amount of the round is included.
4. The report excludes venture debt, buyouts, recapitalizations, secondary purchases, IPOs, and other forms of private equity that do not involve cash such as services-in-kind. Investments in capital pool companies (CPCs & JCPs) are not eligible. Companies whose primary activity is the extraction of natural resources (agriculture, forestry, mining, and oil & gas exploration) without a specific focus on technology are not eligible.
5. Rounds are tracked based on investment location. This predominantly includes Canadian-headquartered companies, but companies headquartered outside of Canada with Canadian research & development facilities are also eligible.
6. 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 twelve-month period from January 1st, 2016 to December 31st, 2016.
7. Fund performance data and public market equivalents are produced via the Cambridge Associates Benchmark Calculator, available through Thomson Reuters Eikon. Returns are for Canadian and US venture capital and growth equity funds with vintage years of 2000 or greater, on a first cash flow basis, in Canadian dollars, from inception to the end of the indicated quarter. Pooled internal rates of return are net of fees, expenses and carried interest. CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns.
8. All current and previous years data is as of Thursday, January 26th, 2017. Data is continuously updated and is therefore subject to change. All figures are in Canadian dollars unless otherwise noted.

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.html>

For further reports on private equity, venture capital, and other asset classes, please visit us at:

- <http://dmi.thomsonreuters.com>

Contributors to this analysis are provided with additional packages of data. If you would like to participate in the submission process, receive quarterly press releases, or have questions about our venture capital criteria, please contact us at:

Gavin Penny
E-mail: gavin.penny@thomsonreuters.com
Tel: 416-687-7577

Greg Beaman
E-mail: greg.beaman@thomsonreuters.com
Tel: 416-687-7510