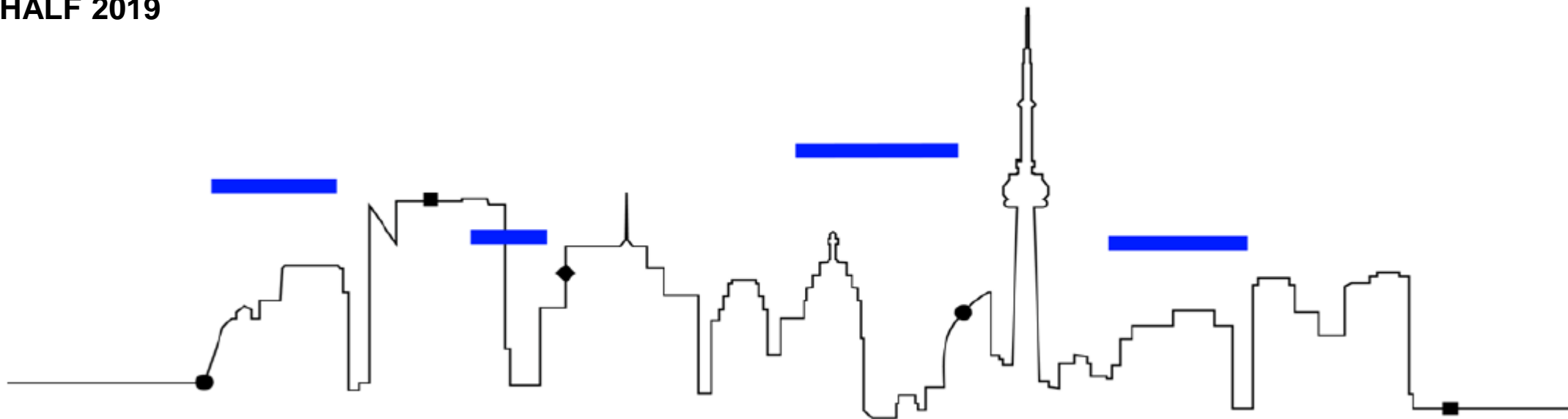


# Canadian Venture Capital Review

FIRST HALF 2019



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# Canadian Venture Capital Market Activity in H1 2019

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

Canadian venture capital funding continued its strong start to 2019, with yet another \$1.4 billion invested during the second quarter bringing the total for the first half of the year to \$2.8 billion financed across 281 rounds. Just like the first three months of 2019 marked the new strongest first quarter since 2000, the second quarter was also the strongest April to June period since 2000. Despite continued strength in funding amounts, volumes were slightly down 3% year-over-year, continuing the trend of more dollars being invested across fewer deals.

Retaining the top spot for the first half was the \$141 million March series B funding round into Fusion Pharmaceuticals, a Hamilton-based biopharmaceutical company developing innovations in radiation therapy for cancer treatment. The round was led by Varian Medical Systems and OrbiMed, who were joined by a large consortium of life science investors including Canadian firms Genesys Capital and FACIT. Top deals newly added during the second quarter included digital wealth management company Wealthsimple's \$110 million investment by Allianz X and Power Financial, as well as PDF development software company PDFTron, which secured a \$96 million investment in May by Silversmith Capital Partners.

Canada-based funds accounted for a 47% share of invested capital from disclosed sources during the first half of the year, remaining ahead of the 45% by funds headquartered within the United States. 2018 remains the only year since 1992 in which the opposite was true, with U.S. funds coming out on top, investing 47% versus 44% attributable to Canadian funds.

The top three most active investment firms in the half were all based in Montréal. These were BDC Venture Capital with 46 investments, Real Ventures with 30, and Desjardins Capital with 27. The firm with the largest amount of disclosed equity investment was Toronto-based Georgian Partners, with \$77 million invested across 5 rounds.

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

Canadian venture capital firms continued to raise considerable amounts of money during the second quarter of 2019, with a tally of \$1.4 billion being raised across 13 fund closings. Top fundraisings included Radical Ventures' \$472 million fund launch, which will focus on making investments within the artificial intelligence space, as well as Northleaf's second Venture Catalyst fund, which closed at its hard cap of \$300 million.

# Canadian Venture Capital Market Activity in H1 2019

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

British Columbia-based companies received \$620 million of VC investment between January and June, an 86% increase from the same period one year ago. In the context of the North American state and provincial rankings, this placed it in 15<sup>th</sup>, behind Québec and ahead of Connecticut.

Ontario was the highest ranking Canadian province, with companies inside its borders receiving \$1.3 billion, a 7% increase from the H1 2018 total, and placing it 7<sup>th</sup> in the rankings, behind Washington and ahead of Florida. Despite the increase in provincial investment, financings in the Greater Toronto Area saw a decline of more than 19% down to \$849 million, resulting in a 12<sup>th</sup> place city finish, behind Denver and ahead of Houston.

Québec-based companies raised \$632 million, a decrease of 21% from the prior year. This earned it a 14<sup>th</sup> place ranking overall, behind Utah and ahead of British Columbia.

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

Following a successful first quarter, Canadian life sciences companies raised \$309 million in the second, up 278% from Q2 2018 and resulting in the first half of 2019 raising more investment than the entirety of 2018. Cleantech companies received \$139 million in Q2, up 46% from the year prior.

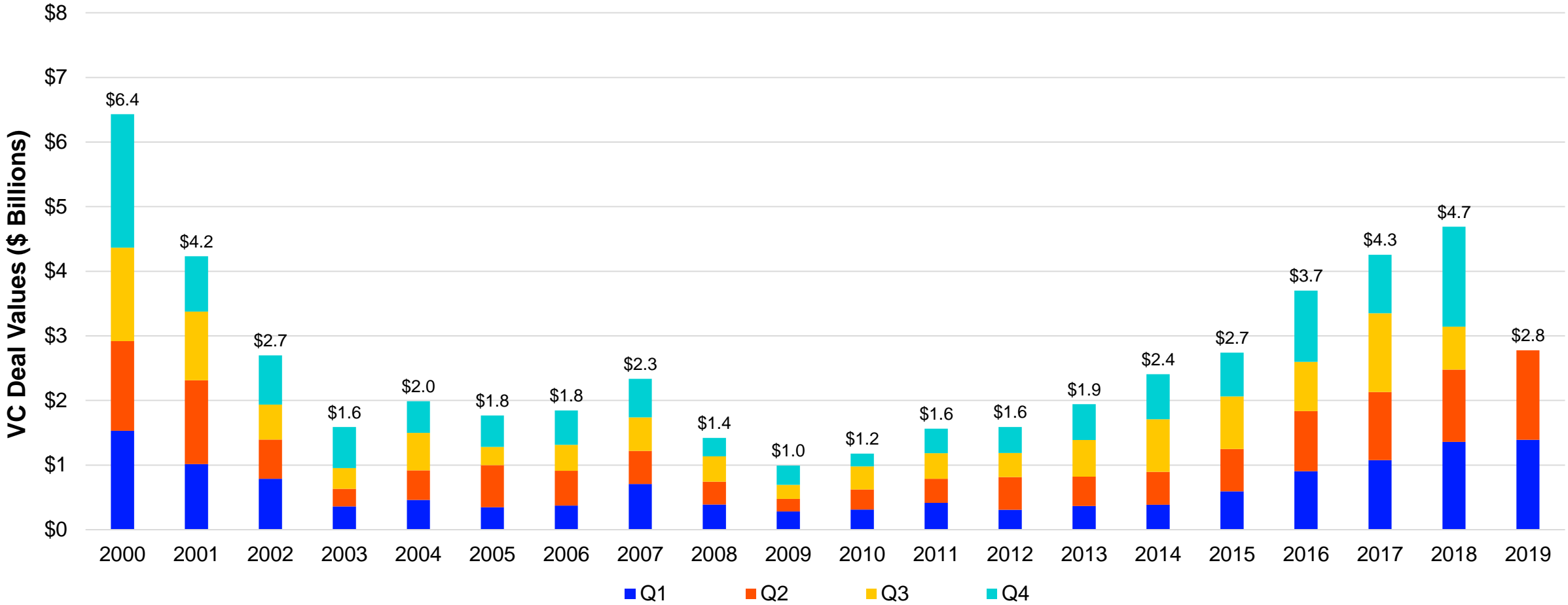
Despite retaining the bulk of all VC investment, IT-company financings remained flat year-over-year at \$1.7 billion received across 181 rounds. This represented at 59% of total dollar flows flows during the period, which was down from the 67% share seen throughout the first half of 2018.

## ***Canadian Fund Performance***

Although investment activity continued to reach new heights, the performance of Canadian venture capital and growth equity funds had not quite attained the same levels. Published 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 4.8% as of the end of Q1 2019, lagging behind both U.S. counterparts and public market equivalents. Despite a dip in performance during the starts to 2017 and 2018, returns have shown a slight recovery in 2019, up 1.5% for the year.

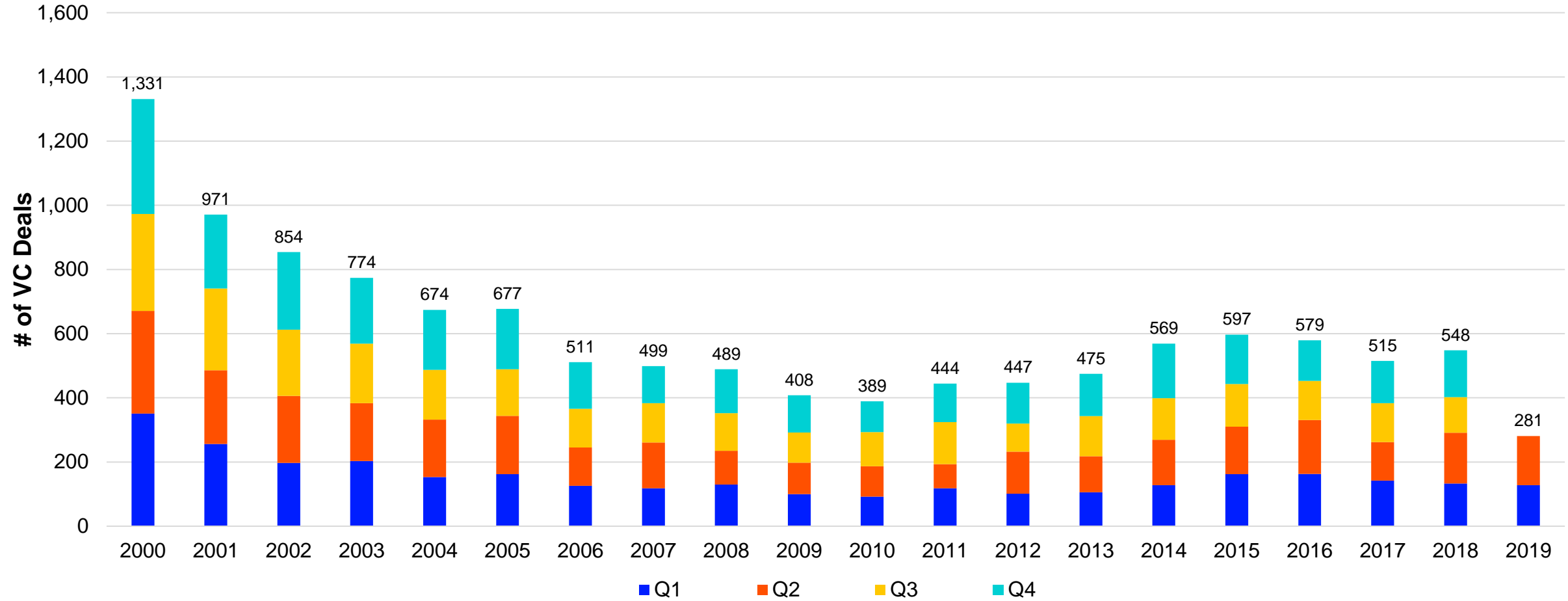
# Historical Investment in Canadian Companies: Venture Capital Deal Values

Canadian companies raised \$2.8 billion of VC funding during the first six months of 2019, up 12% year-over-year. Q2 saw \$1.4 billion of investment, the third consecutive quarter with investment greater than \$1 billion, and the ninth in the past eleven.



# Historical Investment in Canadian Companies: Venture Capital Deal Volumes

A total of 281 venture capital deals were completed in the first half. This was down 3% from the previous year's volumes but up 7% from 2017.

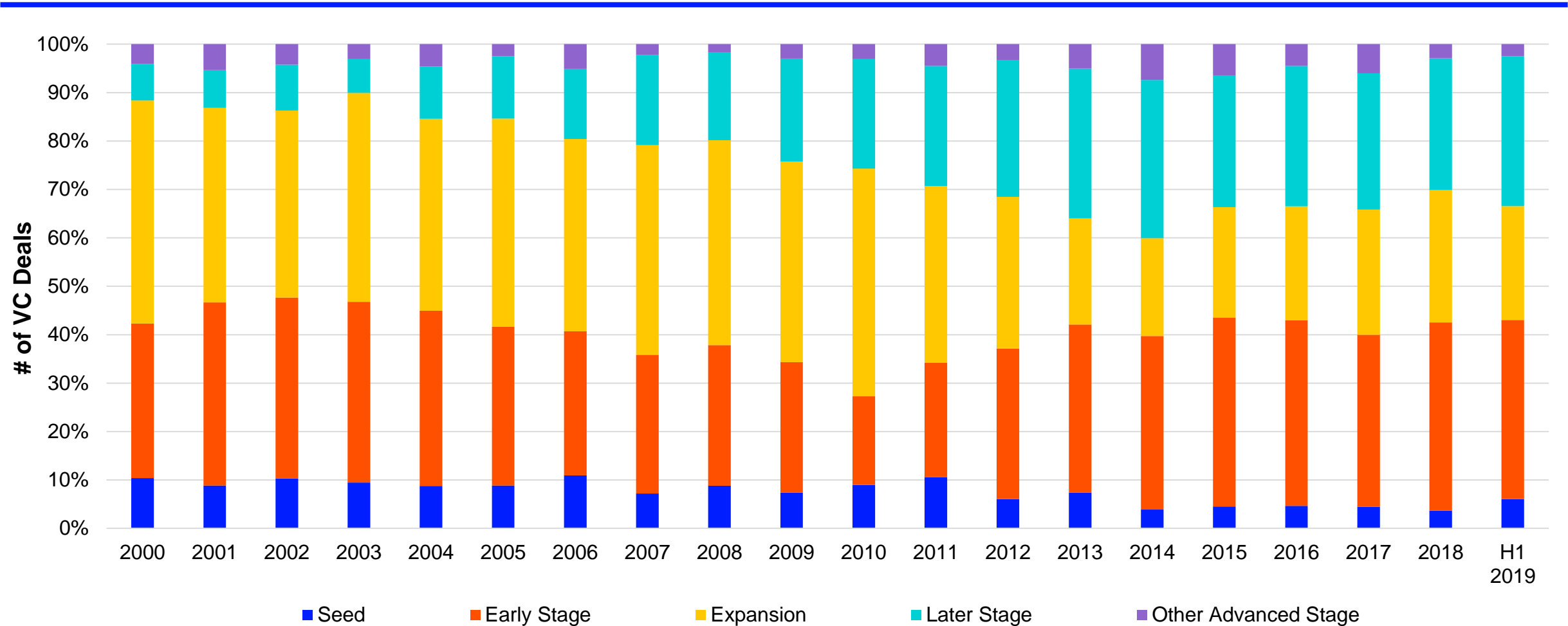


# Top Canadian Venture Capital Deals First Half 2019

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	<b>Fusion Pharmaceuticals</b>	\$140.7	Hamilton, ON	Pharmaceuticals	OrbiMed Advisors, Varian Medical Systems, Adams Street Partners, FACIT, Genesys Capital, JJDC, Odlander Fredrikson, Perceptive Advisors, Pivotal bioVenture Partners, Rock Springs Capital, Seroba Life Sciences, TPG Biotech, Healthcap
2	<b>Vena Solutions</b>	\$115.0	Toronto, ON	Financial Software	JMI Equity, Centana Growth Partners
3	<b>Wealthsimple</b>	\$110.1	Toronto, ON	Robo-Advisor	Allianz X, Power Financial
4	<b>PDFTron Systems</b>	\$96.0	Vancouver, BC	Document Software	Silversmith Capital Partners
5	<b>Carbon Engineering</b>	\$91.0	Squamish, BC	Clean Energy	BHP Billiton Ventures, Chevron Technology Ventures, Oxy Low Carbon Ventures
6	<b>Enerkem</b>	\$77.5	Montréal, QC	Biofuels & Renewables	Braemar Energy Ventures, Cycle Capital, Fondation, Fonds de Solidarité FTQ, Investissement Québec, National Bank, Rho Capital Partners, Waste Management, Westly Group, Suncor Energy, Sunkem
7	<b>Lungpacer Medical</b>	\$75.0	Burnaby, BC	Medical Devices	<i>Not Disclosed</i>
8	<b>Prometic Life Sciences</b>	\$75.0	Laval, QC	Biopharmaceuticals	Thomvest Ventures, Consonance Capital
9	<b>eSentire</b>	\$62.5	Cambridge, ON	Cybersecurity	Warburg Pincus, Georgian Partners, Edison Partners
10	<b>Turnstone Biologics</b>	\$56.3	Ottawa, ON	Biotechnology	Versant Ventures, Teralys Capital

# Venture Capital Deal Volumes by Stage

There were 87 later stage deals completed in H1 2019 which represented a 31% share of overall deal volumes, up from a 27% share seen throughout all twelve months of 2018 and the second highest portion ever recorded, only behind 33% in 2014.





# Top Venture Capital Investors in Canadian Companies, Partnerships First Half 2019

Rank	Firm Name	# of Deals	Estimated Investment (\$ Millions)	Location
<b>Canadian Private Independent Partnerships</b>				
1	Real Ventures	30	\$33.2	Montréal, QC
2	Cycle Capital – Ecofuel	13	\$21.5	Montréal, QC
3	Anges Québec Capital	13	\$5.	Montréal, QC
4	Yaletown Venture Partners	8	\$23.9	Vancouver, BC
5	Relay Ventures	8	\$7.3	Toronto, ON
6	iNovia Capital	6	\$5.4	Montréal, QC
7	Georgian Partners	5	\$76.7	Toronto, ON
8	Panache Ventures	5	\$2.8	Montréal, QC
9	GeneChem	4	\$1.2	Montréal, QC
10	Portag3 Ventures	3	\$25.0	Toronto, ON

# Top Venture Capital Investors in Canadian Companies, Other First Half 2019

Rank	Firm Name	# of Deals	Estimated Investment (\$ Millions)	Location
<b>Canadian Government Investors</b>				
1	BDC Venture Capital	46	\$102.1	Montréal, QC
2	MaRS Investment Accelerator Fund	17	\$12.8	Toronto, ON
3	Innovacorp	10	\$1.2	Halifax, NS
<b>Canadian Retail, Institutional, and Other Investors</b>				
1	Desjardins Capital	27	\$26.6	Montréal, QC
2	CIBC Innovation Banking	11	\$66.5	Toronto, ON
3	Fondaction	9	\$17.1	Montréal, QC
4	New Brunswick Innovation Foundation	8	\$1.8	Fredericton, NB
5	TELUS Ventures	6	\$3.4	Vancouver, BC
<b>Non-Canadian Investors</b>				
1	Versant Ventures	5	\$20.3	San Francisco, CA
2	Salesforce Ventures	4	\$22.2	San Francisco, CA
3	White Star Capital	4	\$16.0	London, United Kingdom

# North American Venture Capital Rankings, by Province & State

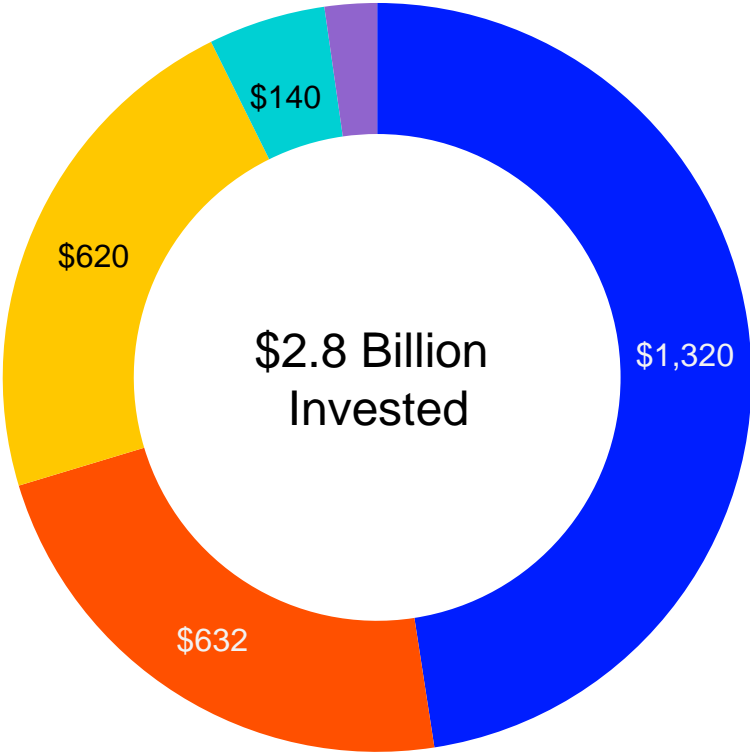
## North American Rankings – First Half 2019

Rank	State / Province	# of Deals	Year-Over-Year Change in # of Deals	Deal Values (\$ Millions)	Year-Over-Year Change in \$ Invested
1	California	882	▼ -10.8%	\$37,644.9	▲ 24.2%
2	New York	304	▼ -1.6%	\$9,908.6	▲ 59.9%
3	Massachusetts	195	▼ -7.6%	\$7,278.8	▲ 0.8%
4	Texas	119	▲ 22.7%	\$2,354.7	▲ 116.7%
5	Michigan	26	▲ 8.3%	\$2,034.8	▲ 44.7%
6	Washington	72	▲ 2.9%	\$1,642.0	▲ 29.0%
7	Ontario	110	▲ 13.4%	\$1,320.0	▲ 7.0%
8	Florida	36	▲ 16.1%	\$1,198.6	▲ 65.1%
9	Illinois	54	▼ -3.6%	\$1,078.7	▲ 91.0%
10	Colorado	62	▼ -4.6%	\$974.4	▲ 26.8%
11	New Jersey	24	▲ 14.3%	\$928.5	▲ 23.7%
12	Pennsylvania	85	▼ -22.0%	\$731.6	▲ 7.0%
13	Utah	20	▼ -35.5%	\$668.2	▲ 98.2%
14	Québec	89	▼ -16.0%	\$632.1	▼ -21.2%
15	British Columbia	45	▲ 2.3%	\$620.3	▲ 86.0%



# Canadian Venture Capital Investment by Province & Region

Ontario investment was \$1.3 billion during the first half, up 7% from H1 2018 and resulting in a 7<sup>th</sup> place finish in the North American rankings. Québec investment fell 21%, resulting in 14<sup>th</sup> place, while BC values were up 86%, landing it in 15<sup>th</sup>.



- Ontario
- Québec
- British Columbia
- Prairies
- Atlantic Canada



# North American Venture Capital Rankings, by Metro Region

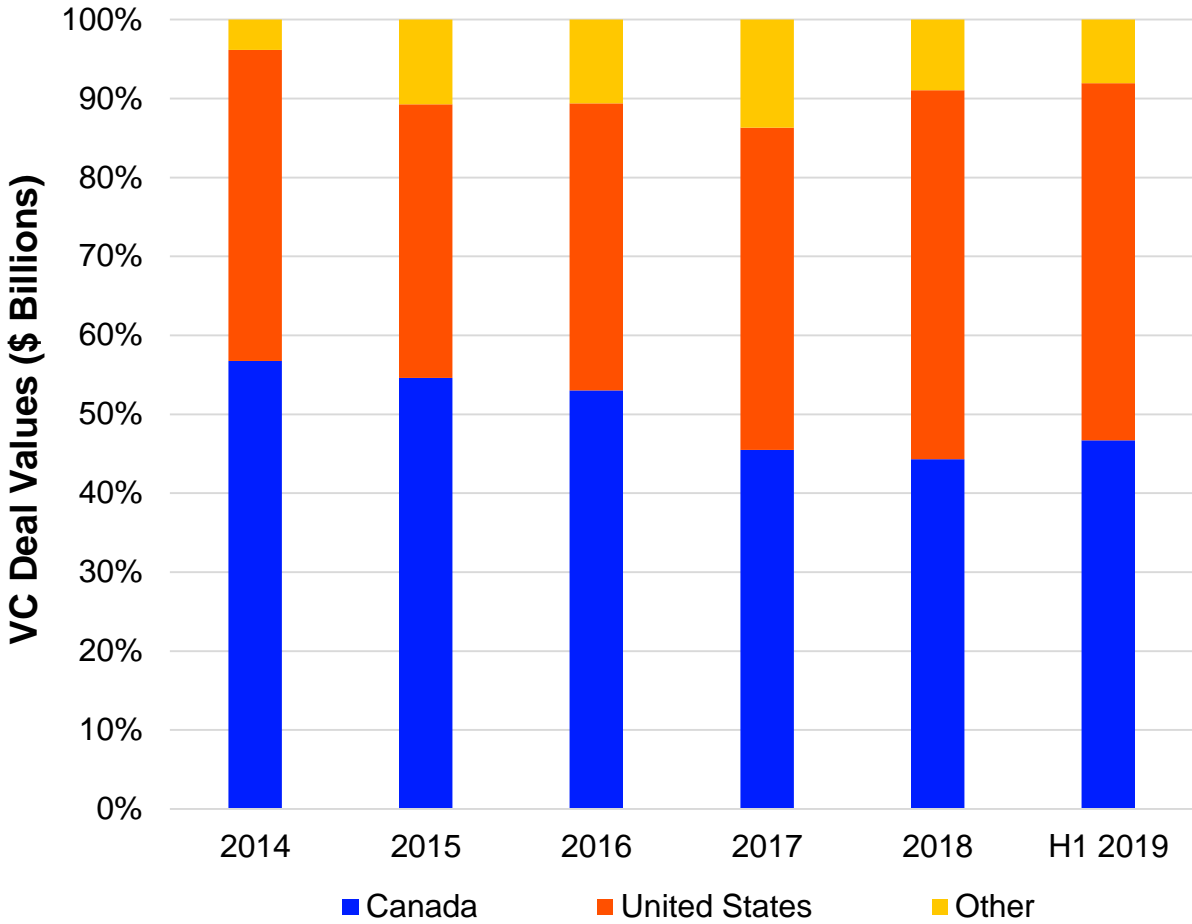
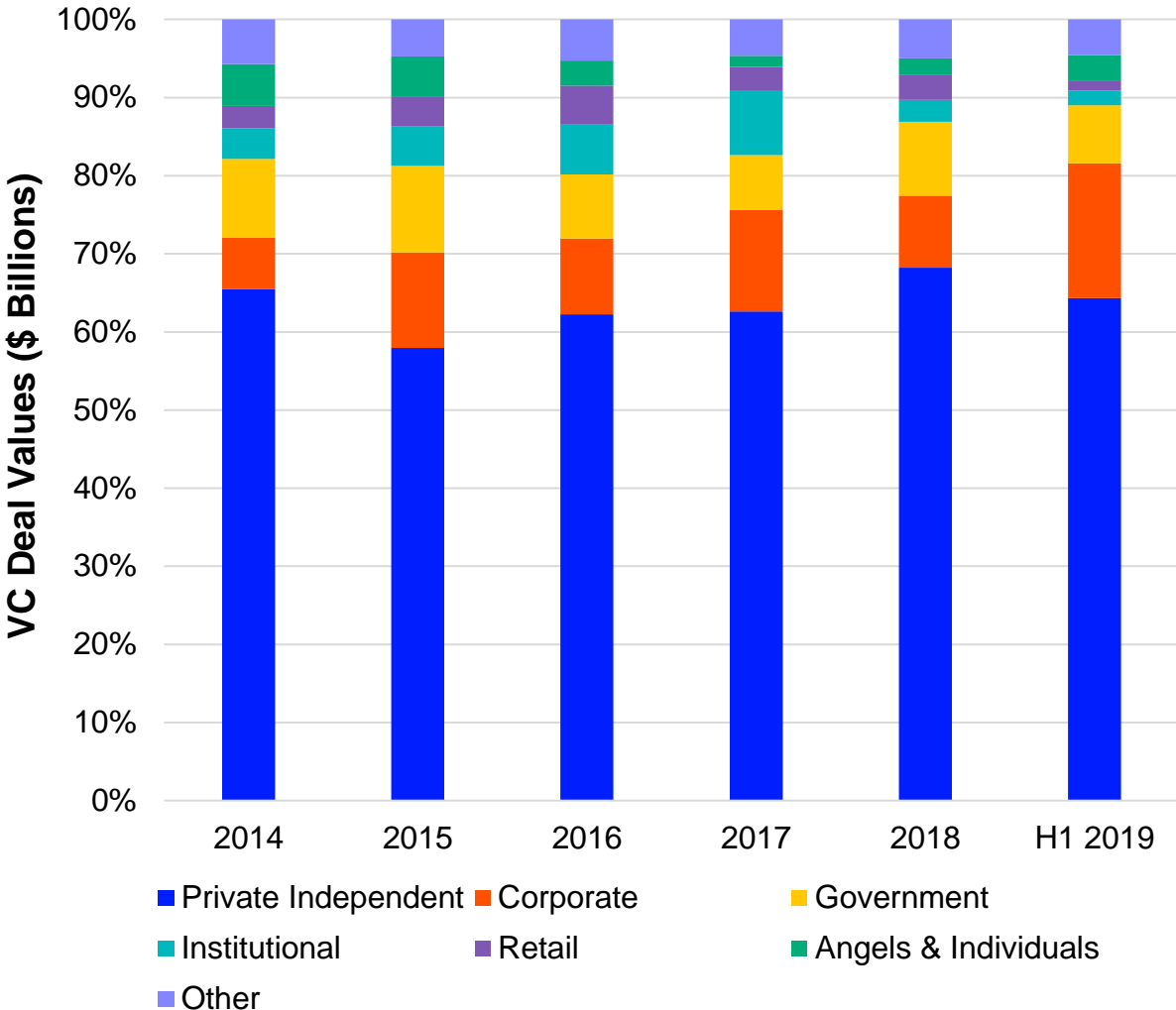
## North American Rankings – First Half 2019

Rank	Metro Region	# of Deals	Year-Over-Year Change in # of Deals	Deal Values (\$ Millions)	Year-Over-Year Change in \$ Invested
1	San Francisco	390	▼ -11.8%	\$17,817.7	▲ 27.0%
2	San Jose	298	▼ -11.8%	\$13,655.5	▲ 25.8%
3	New York City	340	▲ 3.3%	\$11,144.9	▲ 66.1%
4	Boston	185	▼ -9.3%	\$6,387.8	▼ -11.0%
5	Los Angeles	99	▼ -20.8%	\$4,130.3	▲ 30.5%
6	Seattle	68	▲ 1.5%	\$1,577.1	▲ 27.6%
7	San Diego	56	▲ 40.0%	\$1,247.4	▼ -21.9%
8	Austin	61	▲ 17.3%	\$1,103.6	▲ 104.2%
9	Chicago	51	▼ -5.6%	\$1,067.0	▲ 89.4%
10	Washington	76	▼ -16.5%	\$895.0	▼ -36.3%
11	Denver	60	▲ 1.7%	\$891.9	▲ 23.5%
12	Toronto	80	▲ 14.3%	\$848.5	▼ -19.2%
13	Houston	26	▲ 18.2%	\$752.1	▲ 210.1%
14	Philadelphia	43	▼ -34.8%	\$665.4	▲ 3.6%
15	Montréal	70	▼ -10.3%	\$609.9	▼ -1.5%



# Venture Capital Investment by Origin of Capital

Corporate venture funds invested \$316 million, or 17.3% of total disclosed sources, up from 9% throughout 2019. Canadian funds retained their top spot during Q2, making up 47% of all investment in the half relative to 45% coming from the U.S.



# Venture Capital to Canadian Companies from Non-Canadian Investors

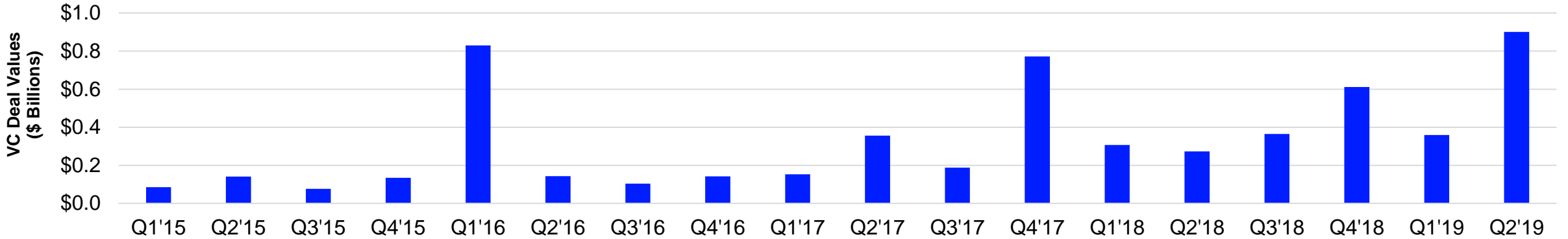
Investment by United States-based firms accounted for 45% of all disclosed VC investment in Canadian companies. The majority of the remainder came from Europe-based funds, which were responsible for 7% of the total.



# Canadian Dealmaking Abroad

Canadian funds invested \$901 million in 44 non-Canadian companies during Q2, the most in a single quarter ever recorded. This brought the total for the first half of the year up to \$1.3 billion across 94 companies.

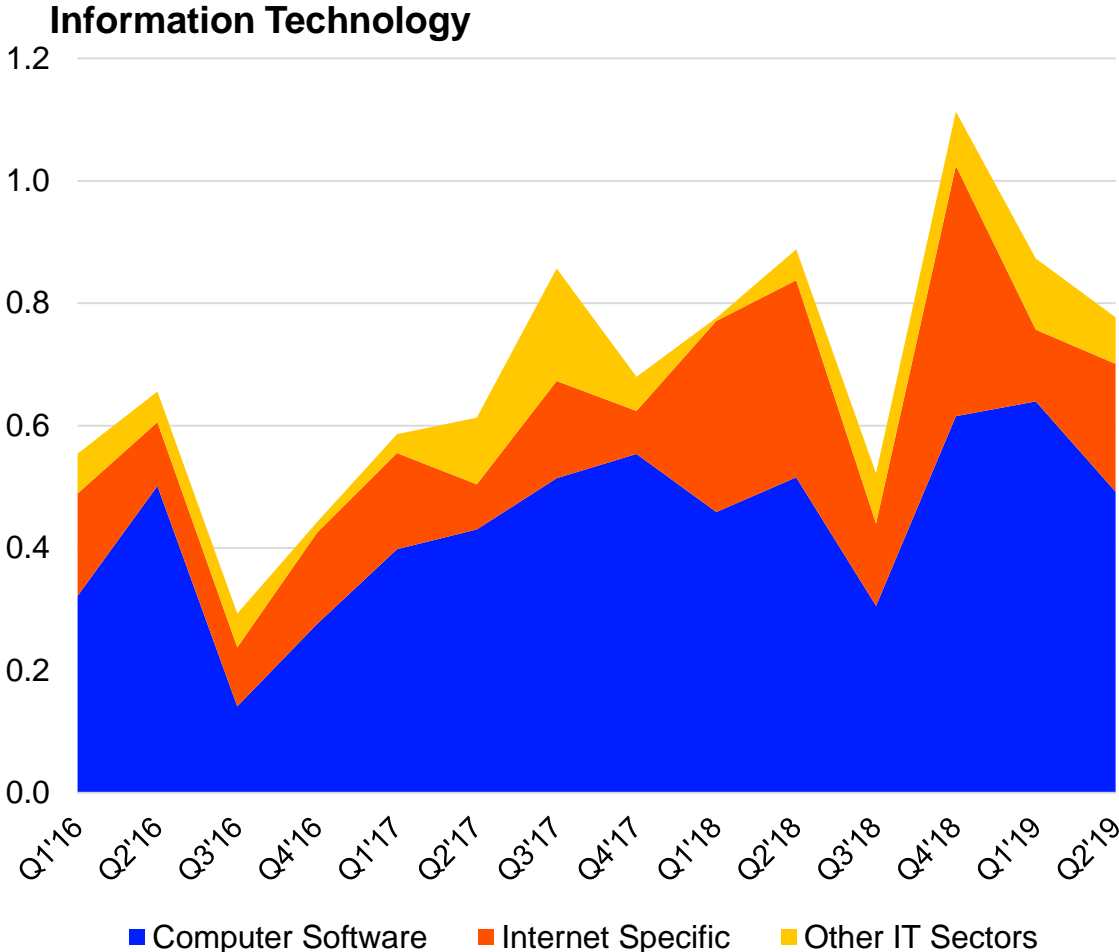
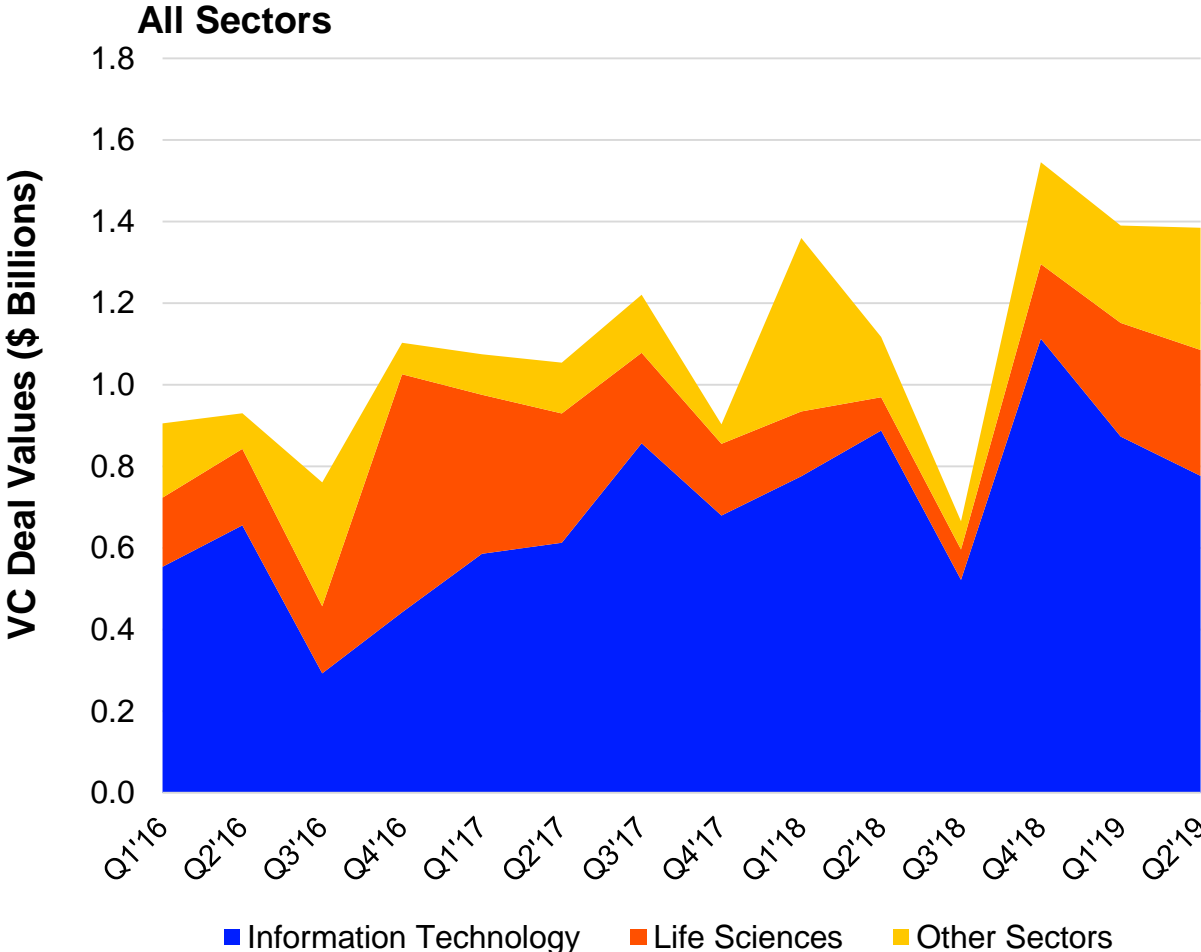
Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Canadian Investors (Disclosed)
1	Space Exploration Technologies	\$720	Hawthorne, CA	Aerospace	Ontario Teachers' Pension Plan
2	Bird	\$324	Santa Monica, CA	Electronic Scooters	Relay Ventures
3	Space Exploration Technologies	\$286	Hawthorne, CA	Aerospace	Ontario Teachers' Pension Plan
4	CollectiveHealth	\$275	San Francisco, CA	Employee Healthcare	Public Sector Pension Investment Board, Sun Life
5	CrowdStrike	\$167	Oakland, CA	Endpoint Protection	<i>Not Disclosed</i>





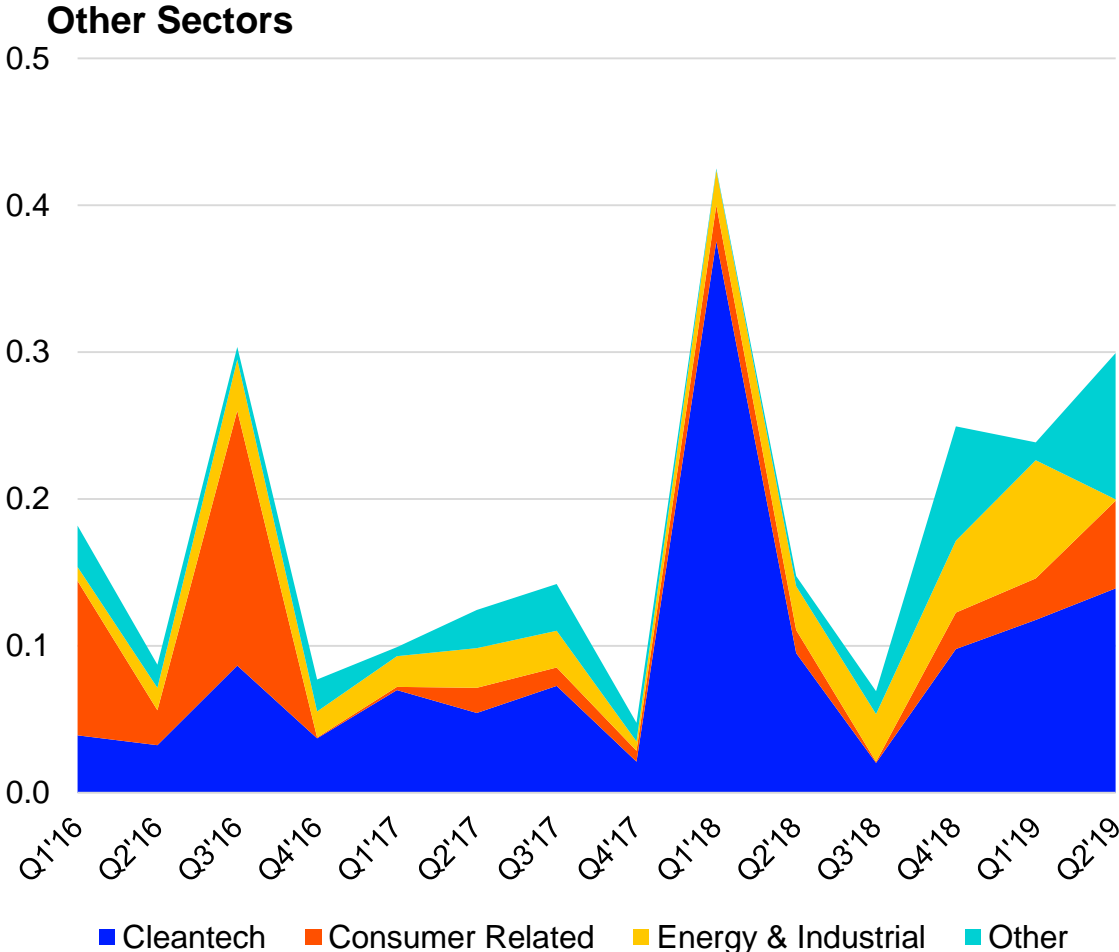
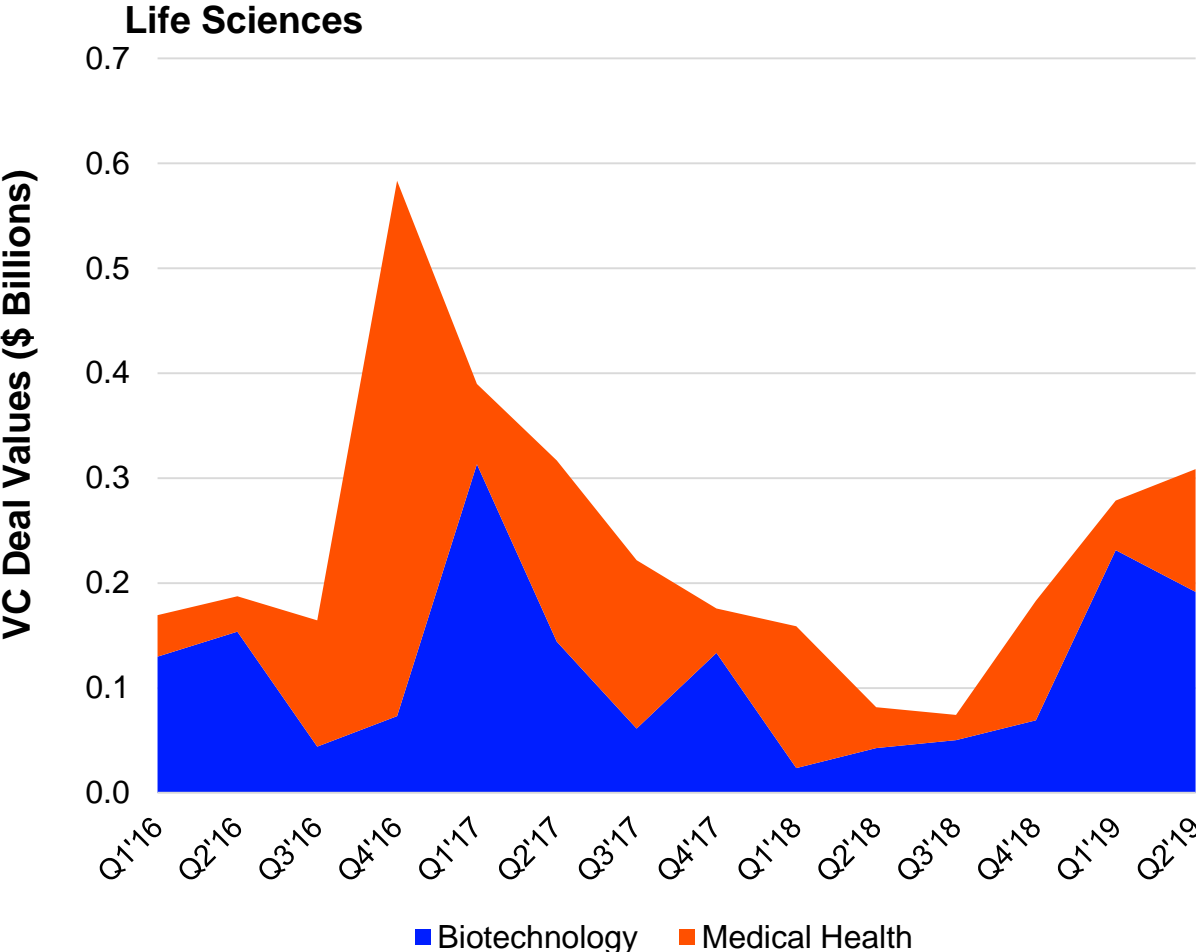
# Venture Capital by Sector

IT investment remained flat year-over-year with \$1.7 billion of financings during the first half of 2019. This represented a 59% share of all VC in the period, down from 67% seen throughout the first six months of 2018.



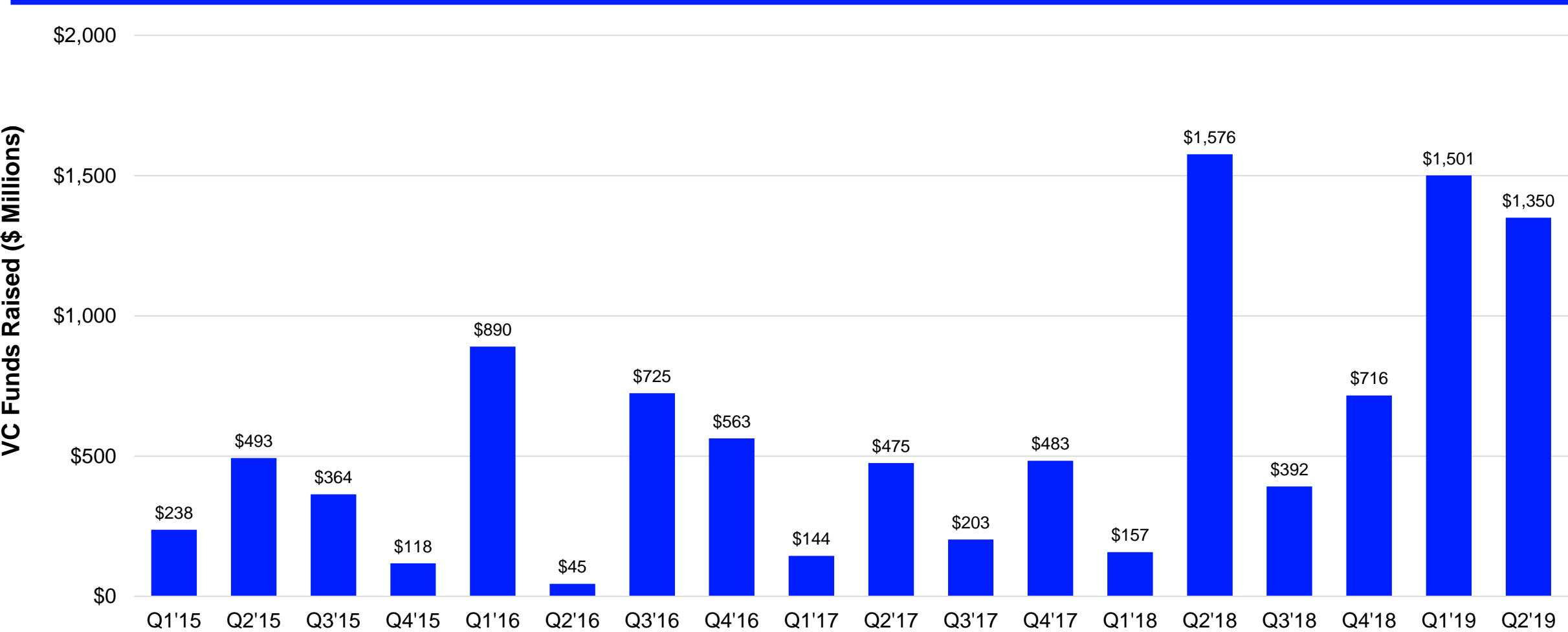
# Venture Capital by Sector

Life sciences companies received \$587 million in the half, up 144% from H1 2018 and more than the total \$498 million invested throughout the entirety of 2018. Cleantech companies received \$257 million in the period.



# Canadian Venture Capital Fundraising

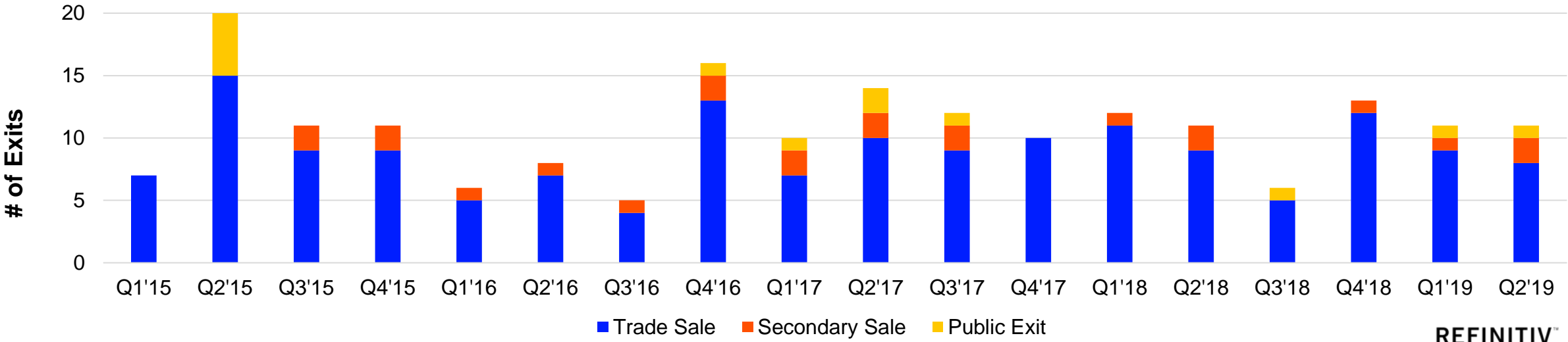
A total of \$2.9 billion was raised by 26 Canadian VC funds in the first half of 2019, already more than the \$2.8 billion raised throughout all of 2018.



# Canadian VC Backed Exits, First Half 2019

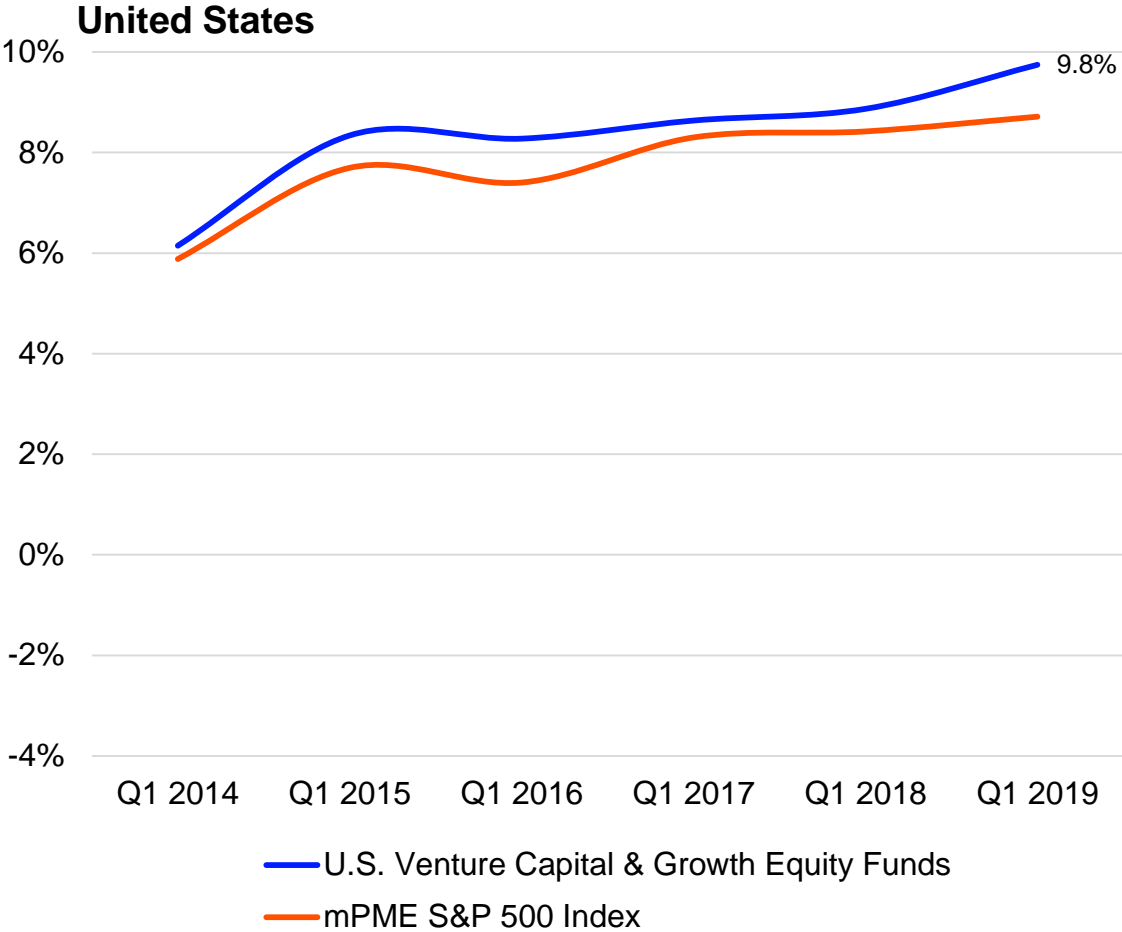
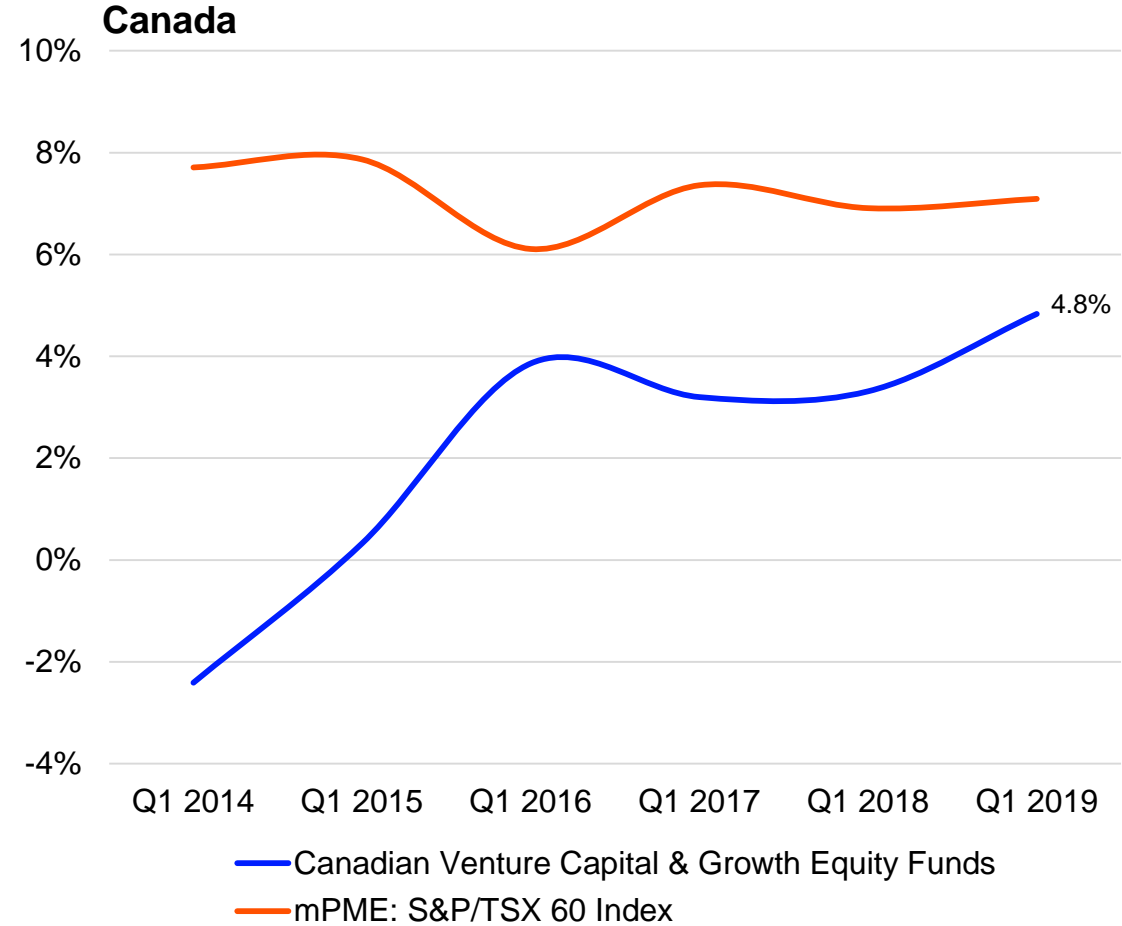
Canadian VC-backed companies were involved in 22 completed exits during the first six months of 2019.

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	Wave	\$537.8	Toronto, ON	Financial Software	BDC Venture Capital, CRV, HarbourVest Partners, OMERS Ventures, Social Capital, NAB Ventures, Portag3 Ventures, Exhibition Capital
2	Lightspeed POS	\$276.0	Montréal, QC	POS Software	iNovia Capital, Investissement Québec, Caisse de dépôt et placement du Québec, Teralys Capital
3	Aeryon Labs	\$265.2	Waterloo, ON	Unmanned Aerial Vehicles	MaRS Investment Accelerator Fund, Summit Partners, FedDev Ontario



# Cambridge Associates: Venture Capital Fund Performance

Canadian private independent fund returns continue to trend upwards following long stretch of negative performance, but still lagging behind U.S.-based funds and public markets.



# Explanatory Notes

1. Data collected and analyzed by Refinitiv for this statistical report were drawn from a variety of sources including Refinitiv M&A databases, regulatory filings, press releases, and proprietary reports from Canadian and non-resident venture capital firms, private equity firms, law firms, and other service providers.
2. The Refinitiv 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** in Refinitiv 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, IPO exits, 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 six-month period from January 1<sup>st</sup>, 2019 to March 30<sup>th</sup>, 2019.
7. Fund performance data and public market equivalents are produced via the Cambridge Associates Benchmark Calculator, available through Refinitiv Eikon. Returns are for Canadian and U.S. 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, under published data mode Q1 2019. 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 Tuesday, August 6<sup>th</sup>, 2019. Data is continuously updated and is therefore subject to change. All figures are in Canadian dollars unless otherwise noted.

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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:

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