

Venture Capital Association of Alberta

FALL NEWS

2016

Research by Yaletown Partners Reveals Canada's Technology Investment Gap

yaletown.com

Yaletown Partners has conducted a detailed study of Canada's financing activity to best understand growth hurdles for Canadian technology companies. The research reveals significant gaps in capital available for the country's technology companies, including those in Alberta. Access to capital, talent and markets are the three key drivers of Canada's innovation ecosystem. The report shows that gaps in Canada's capital supply cause Canadian companies to scale more slowly, take longer to exit, and achieve smaller outcomes than U.S. technology peers.

The research findings are outlined in Yaletown's report: Canada's Technology Investment Gap. For the study, Yaletown reviewed over 20,000 financings in the decade since 2006 and 3,000 exits since 2000 across Canada and the United States. The research analyzed data from Pitchbook, Thomson Reuters, CVCA, NVCA, and Yaletown's own proprietary datasets.

"We took a comprehensive look at technology financing in Canada, looking not just at stage of financing

or size, but at the impact of capital flow over time," said Eric Bukovinsky, Principal, Yaletown Partners. "We found that the capital supply in Canada is both insufficient and inadequately distributed beyond early stage. Canada's biggest opportunity to realize greater value from our technology sector lies in closing this growth capital gap, currently at several billion dollars and growing."

The report reflects Yaletown's first-hand investment experience as one of Canada's most active private technology investors, presently raising a new \$135 million fund. Capital for seed and early-stage companies is generally available in most regions of Canada, however once companies reach the next stage of growth, there is a capital supply gap for \$5 to \$25 million financings to accelerate growth. Yaletown's investments in emerging-growth companies have demonstrated the ability to accelerate growth, shorten exit timeframes and earn strategic premiums by providing adequate access to capital.

Continued on Page 3

INSIDE

Canada's Technology Investment Gap	1, 3
Executive Director Message	2
Upcoming Events	3
VCAA Board of Directors	3
CVCA 2016 Outlook	5
7 th Annual Ski Day	7
2016 Alberta Tech Deal Flow Study	8

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Ramping up for Fall

Message from the Executive Director

It is hard to believe that summer is over and we are once again back in the thick of things. This fall promises to be a very busy one on the venture capital front. The Banff Venture Forum is once again taking place at the end of September and I look forward to seeing you all at this flagship event! This will be followed by the Start-up Calgary Launch Party where we will once again present the Rod Charko Services Award to the individual that has gone above and beyond for the technology ecosystem in Alberta. If you know of someone that is deserving of this award, I encourage you to make a nomination. Nominations are open until October 15.

We are also planning a joint social event with the CVCA for later this fall. This promises to be a fun evening, so please watch your inboxes for an invite to the event.

Finally, we will be hosting our annual Conference & Ski Day on March 8-9, 2017 in Banff, AB. This promises to be a great day of sessions followed by skiing at one of Western Canada's top ski resorts. Registration will be open shortly. If you are interested in being a sponsor for this event, please do not hesitate to get in touch.

In this edition of our newsletter, we are pleased to provide a summary of Alberta Enterprise's "Deal Flow Study". Thank you very much to all the members who participated in this important survey. We also feature Yaletown's research on "Canada's Technology Investment Gap". Finally we include the CVCA's data on venture capital activity during the first half of 2016. As always, we encourage all members to report deal flow data to the CVCA so that we can have an accurate picture of venture capital activity in the Province.

As always, I welcome your contributions to our newsletter and I look forward to continuing to work with everyone this fall.

Warm Regards,
Rebecca Giffen



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The situation in Alberta

While Canada has seen a sizable increase in financings and capital invested since 2010, Alberta hasn't participated in this growth, indicating a more general capital shortage across all stages. After taking into account the impact from the decline in the Oil and Gas sector, Alberta's share of capital invested in Canada still fell by half from 10 percent in 2010 to 5 percent in 2015. Since Alberta's Technology sector is relatively small, investment activity is typically biased to early and seed stage financings because there are fewer medium sized companies when compared to the rest of Canada. "Given the stage of Alberta's technology sectors, solving the capital gap requires focused development of the early stage ecosystem and increasing emerging growth capital for growth-ready companies." said Brad Johns, Partner, Yaletown Partners. A good example of focused investment support for Alberta's ecosystem is Alberta Enterprise Corporation, which invests as a Limited Partner in

early stage focused funds such as the Accelerate Fund, as well as in various traditional venture capital funds.

Research highlights include:

- The average financing size for Canadian companies is less than one-third of the level in the United States.
- Companies in the United States are 2.6x more likely to raise \$5 to \$25 million emerging growth financings.
- Since 2000, disclosed exits in Canada valued at greater than \$100 million raise on average 50% less capital compared to those in the United States. Exits valued between \$100 and 250 million take 2.5 years longer and are half as frequent as in the United States.
- Since 2000, large exits, greater than \$500 million have occurred in 1% of all disclosed Canadian exits versus 10% in the United States.

For more information, the report is publically available on Yaletown's website: <http://bit.ly/VCAAttechgap>

Upcoming Events

Banff Venture Forum
September 22 & 23, 2016
Banff, AB

vcaa.ca

Start-up Canada Regional Awards
October 25, 2016
Edmonton, AB

startupcan.ca

Please also watch your inboxes for an invite to the VCAA/VCVA social to be held this fall.

Start-up Calgary Launch Party
November 17, 2016
Calgary, AB

startupcalgary.ca

VCAA Conference & Ski Day
March 8 & 9, 2017
Lake Louise, AB

vcaa.ca

VCAA

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VCAA

SAVE THE DATE

2017 VCAA Ski Day

March 8 & 9, Banff, AB

Join the VCAA and CVCA Community as we host our 7th engaging conference. This is a unique invitation only opportunity to network and experience high value sessions and speakers complemented by a full day or guided or individual skiing.

Registration opens September 30.

Get involved! Sponsorship opportunities available!

Contact rebecca.giffen@venture-edge.com for more details.



VCAA

OPEN CALL FOR 2016

Rod Charko Service Award Nominations

Nominations are now being accepted for the *Rod Charko Service Award*. The Rod Charko service award is presented on an annual basis to an individual that has made an outstanding contribution to the technology ecosystem in the Province of Alberta.

Nominations are open until October 15.

Download the nomination form online vcaa.ca.

CVCA Outlook From the First Half of 2016

Canadian VC investment continues to be strong, PE lags

Country records largest VC deal in life sciences since 2013, investments in agribusiness continue to rise.

August 31, 2016 – Toronto, ON – In the first half of 2016, the Canadian investment landscape continued to show strength, especially on the VC side. Building on a huge Q1, \$683M was invested in Q2 bringing the total to \$1.5B invested over 255 deals. This is significantly higher than the first half of 2015, where \$1.1B was invested over 272 deals. The ICT sector led the way with \$1,027M invested in H1 (67 per cent of the total dollars invested), followed by \$310M in life

sciences (20 per cent) and \$114M in agribusiness (7 per cent).

The average VC deal size in H1 jumped 53 per cent from \$4M to \$6.1M driven by a few major deals involving CVCA members. These included cloud-based real estate app, Real Matters, which raised \$100M, and the \$128M investment in DalCor Pharmaceuticals—a CVCA life sciences record. FarmersEdge, a big data agribusiness, received a VC investment of \$58M, a new high for its sector.

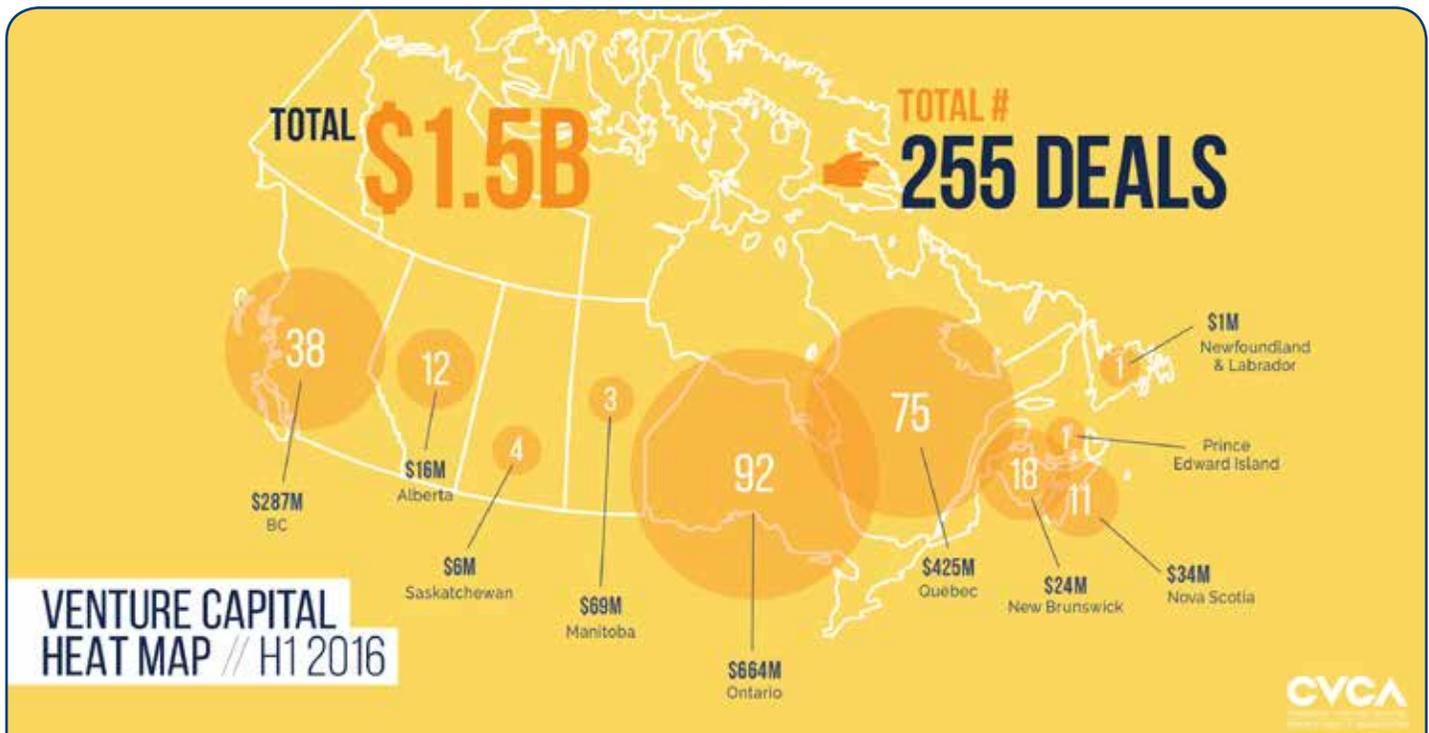
“Venture capital investment continues to rise in Canada,” says Mike Woollatt, chief executive officer, CVCA. “On the top-end, we’ve seen a significant increase in the share of the amount invested in later stage deals (50 per cent) compared to

last year (38 per cent), which is what Canada really needs to help companies scale and become world leaders.”

On the PE side, \$3.1B was invested (over 87 deals) in Q2, up 4 per cent from \$3B in the previous quarter (over 86 deals). However, the total amount invested in H1 2016 was 32 per cent lower than the same period last year (\$6.1B over 173 deals versus \$8.9B over 194 deals).

One exception was the CleanTech sector with \$1.5B invested in 10 deals. The average CleanTech deal size increased 325 per cent from last year due in large part to \$800M invested in Services Matrec and \$480M in financing for Capstone Infrastructure Corporation.

Continued on Page 6



Quebec captured nearly a third of all PE financings in the first half—an increase from 2015 (24 per cent) and 2014 (14 per cent), and now rivals Ontario (32 per cent) for PE investment.

“For private equity, there’s positive news in the CleanTech sector. But overall, the 2016 first-half numbers have been lower than what we’ve seen in the past couple of years,” Woollatt adds. “This is primarily due to the slowdown in oil and gas activity continuing into 2016. There is still a tremendous amount of dry powder out there, however, so we expect investment levels to eventually increase.”

Adding to the dry powder, just over \$4M in new PE funds were raised in H1, 13 per cent more than was raised the same time last year (\$3.6M).

CVCA VC & PE Market Overview: H1 2016

- VC/PE Canadian Market Overview: H1 2016
- VC/PE Quebec Market Overview: H1 2016

Venture Capital Highlights:

- \$128M VC investment in DalCor Pharmaceuticals, a CVCA life sciences sector record
- \$100M VC investment in Real Matters, a cloud-based app
- The largest agribusiness VC investment in Canada: FarmersEdge gets a \$58M infusion
- Ontario leads the provinces in VC financings (44 per cent), followed by 28 per cent in Quebec and 19 per cent in BC
- 50 per cent of investment dollars went to late-stage deals, versus 38 per cent in 2015
- Q1 was a historic high for VC where the average deal size was \$7.1M. While that dropped to \$5M in Q2, that’s still 6 per cent higher than the average deal size from 2013 to 2015
- Information and Communications Technology (ICT) continues to lead the growth
- There was \$691M in new funds raised in H1, down 32 per cent from the same time last year

Private Equity Highlights:

- Average PE Deal size in H1 2016 was \$25.1M, down 27 per cent from the same period last year and significantly lower than the average deal size between 2013-2015 (\$74.4M).
- Quebec captured 29 per cent of PE financings, an increase over both 2015 (24 per cent) and 2014 (14 per cent)
- Quebec is now a close second to Ontario (32 per cent) in PE investment
- Oil and gas continue to decline due to global oil prices with only \$2.6M invested over 15 deals
- Activity led by CleanTech and driven by fewer, though higher-priced deals:
 - » GFL Environmental’s \$800M acquisition of Services Matrec in Quebec
 - » \$480M investment in Capstone Infrastructure Corporation
 - » AIMCo’s \$200M investment in TransAlta Renewables in Alberta

About the CVCA

The CVCA is the voice of Canada’s venture capital and private equity industry. We are focused on improving the private capital ecosystem by broadening industry awareness and providing market research, networking, and professional development opportunities. We also advocate on behalf of the industry to ensure sound public policy that encourages a favourable investment environment. The CVCA works alongside its members, who represent the vast majority of private capital firms in Canada, to improve the industry and drive innovation and growth.

CVCA Methodology

Venture Capital: dataset includes verified completed equity or quasi-equity venture capital deals only. Not included are non-equity based government funding such as grants from FedDev, project financing from The SD Tech Fund of the Sustainable Development Technology Canada (SDTC), pharmaceutical product development deals, senior debt as part of overall financing package, venture capital-backed acquisitions, and angel financing.

Private Equity: dataset includes only completed private equity deals for consistency and quarter-to-quarter/year-to-year comparison. Announced but yet to be completed deals are not included.

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7th Annual Conference and Ski Day

March 8 & 9, 2017
Lake Louise, AB

The program includes:

- A half-day conference with a renowned keynote speaker and engaging panel sessions discussing timely topics, followed by a reception and dinner
- A full day of guided skiing or snowboarding - offering informal opportunities for connecting and networking

Registration Now Open

Building on the success of previous years, the Venture Capital Association of Alberta (VCAA) and the Canadian Venture Capital & Private Equity Association (CVCA) are pleased to offer you a sponsorship opportunity for our 2017 Conference & Ski Day. This event will be held on in February 2017 at the Fairmont Chateau Lake Louise in Lake Louise, AB.

The event will bring together top technology investors (VC, Strategic, and angel), tech industry luminaries, with some of their peers from across Canada and the US, for discussion and networking. Registration is an exclusive by invitation only opportunity to network and experience high value sessions and speakers. The conference is complimented by a full day of guided skiing or snowboarding. Sponsorship of the event will provide you with a unique opportunity to network with this exclusive group.

Three Levels of Sponsorship Opportunities

TITLE (SOLD) \$10,000

- **Title billing for the event**
- **3** event registrations
- **Full page** company advertisement in the VCAA newsletter
- One **10-minute** "pitch" slot at the event.
- Logo recognition: VCAA website, event marketing materials, conference signage and printed conference program
- Opportunity to distribute marketing materials and display signage
- Logo (shared slide) on PowerPoint to be displayed at event

GOLD (2 AVAILABLE) \$5,000

- **2** event registrations
- One **5-minute** "pitch" slot at event
- **Half page** company advertisement in the VCAA newsletter
- Logo recognition: VCAA website, event marketing materials, conference signage and printed conference program
- Opportunity to distribute marketing materials and display signage
- Logo (shared slide) on PowerPoint to be displayed at event

SILVER (8 AVAILABLE) \$2,500

- **1** event registration
- Business card size advertisement company advertisement in the VCAA newsletter
- Logo recognition: VCAA website, event marketing materials, conference signage and printed conference program, event PowerPoint presentation
- Opportunity to distribute marketing materials and display signage



Sign up to be one of the limited 65 attendees!

This event has sold out in the past and is expected to again this year.

- Venture Capitalists from across Canada and the US
- Strategic Investors
- Sponsors & Supporters
- Select *A100 members with sector interest (*A100 is a member organization for senior level technology executives.)

For More Information contact:
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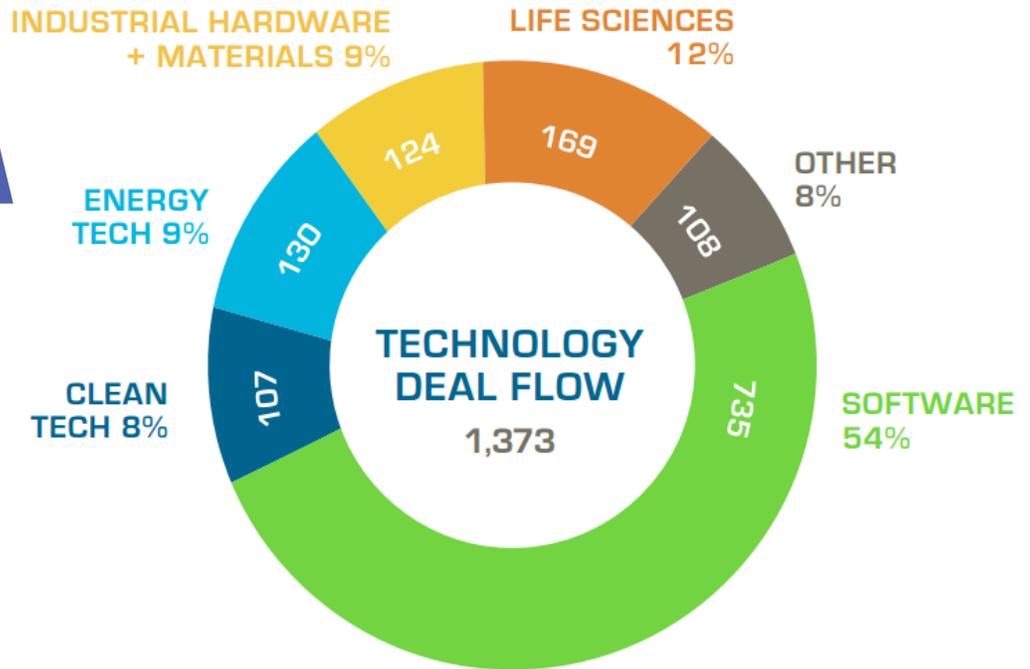
2016 ALBERTA TECH DEAL FLOW STUDY

By Alberta Enterprise Corporation

This is an exciting time of growth for investors and technology companies in Alberta. Alberta Enterprise is helping to build a more sustainable, diversified technology industry in Alberta, one where home-grown innovation is encouraged and technology entrepreneurs have greater access to venture capital.

As part of this, it was identified early on that while deal flow is an indicator of a thriving ecosystem, it is often difficult to track and poorly understood. Alberta Enterprise commissioned this study to build on the 2012 report, to bridge this knowledge gap and to provide insight into the technology deal flow landscape in Alberta.

The 2016 Alberta Deal Flow Study is a collaborative effort, including data from over 50 stakeholders who promoted the survey, of which 29 further participated by submitting lists of technology companies for a total of 6,194 names to validate. Following are some highlights from the Study which will be released later this month.



Highlights

There are 1,373 technology companies headquartered in Alberta, up 48% from almost 4 years ago.

The overall technology ecosystem within Alberta is continuing to grow, supported by strong growth in technology deal flow and investment opportunities within the province. Out of the 927 technology companies identified in 2012, 443 were found to still be operating in Alberta today.

Highlights from the study include:

- Calgary has seen a 55 % increase in technology companies over the last 4 years and Edmonton has seen a 39% increase.
- Clean tech, industrial hardware & materials, and software categories all showed significant growth from 2012 to 2016.
- Software represents 54% of deal flow in Alberta in 2016, up from 49% in 2012 with the number of software companies increasing 61% from 456 companies to 735 over the same period of time.
- 1 in 5 technology companies reported over \$1 million in annual revenue. A third of the companies surveyed have raised over \$1 million to date.

1,373 TECHNOLOGY COMPANIES WERE IDENTIFIED ACROSS ALBERTA IN 2016, UP FROM 927 IDENTIFIED IN 2012

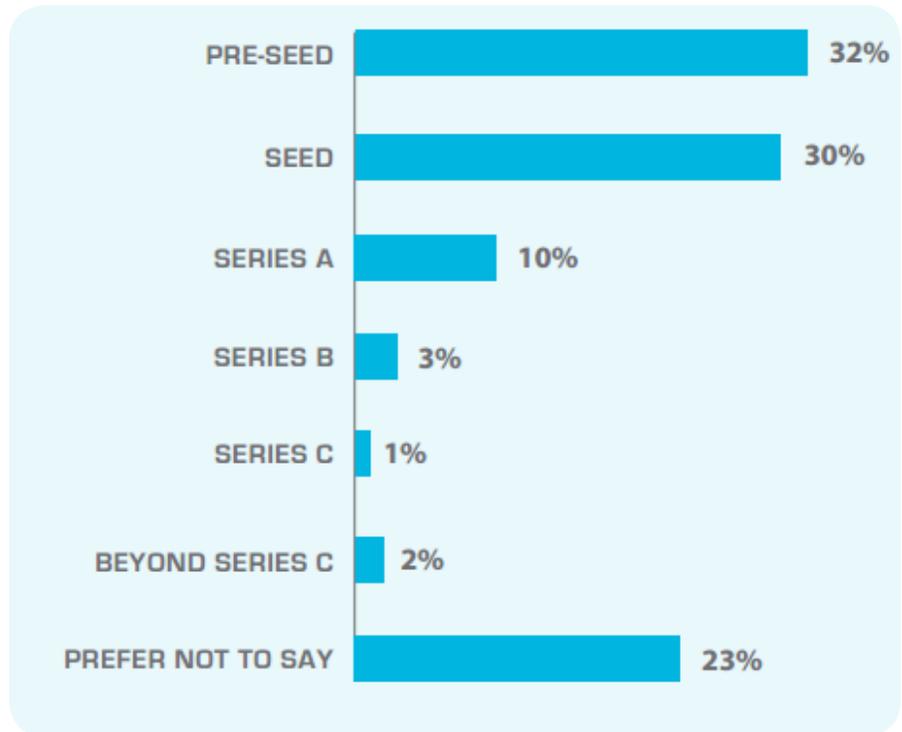
Technology Deal Flow in Alberta



- 10% of the surveyed tech companies' last round was Series A.
- One in two of the technology companies have a SaaS component.
- One in five tech companies have at least one female founder.
- Seven in ten tech companies have at least one founder with previous startup experience.

Alberta Enterprise Corporation will release the study later this month. To get the latest on the Deal Flow Study, and to stay informed on Alberta's tech sector, sign up for their updates at: info@alberta-enterprise.ca

3 in 4 technology companies surveyed are currently seeking funding



Is your VC fund invested in the future?

We want to invest in you.

Alberta Enterprise invests in technology VC's that finance early-stage, knowledge-based companies in Alberta and across North America.

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