



Mark Blinch, Reuters

Canadian Venture Capital Review First Half 2017

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Canadian Venture Capital Market Activity in the First Half of 2017

Canadian VC Market Trends

Venture capital investment in Canadian companies continued at a strong pace in the first half of 2017 with \$2.1 billion invested in 237 rounds of financing. In dollar terms, this represented an 18% increase over the same period last year, the most invested in any first half since 2001, and the third consecutive quarter where investment exceeded \$1 billion. However, deal volumes did not see the same gains, instead falling by 27% from the prior year. The second quarter of 2017 marked the fewest deals completed in any quarter since Q3 2012.

The average Canadian VC round size increased to \$8.9 million in the first half. While this demonstrates a 151% increase over the average round size just five years ago, Canada continues to lag behind all other top VC-attracting nations. Despite the highest level of direct investment by government funds, Canadian companies on average continue to secure less than their counterparts across all VC-intensive regions.

Investment by Canadian funds in non-Canadian companies continued at a very strong pace in the first quarter, with \$487 million invested in 39 foreign companies in the first half. With \$367 million invested in the second quarter alone, this demonstrated the most active quarter for Canadian funds investing abroad since Q2 2001. Highlights included PSP Investments' contribution to San Francisco-based rideshare company Lyft's \$795 million round, and the investment by la Caisse de dépôt et placement du Québec in the \$406 million round raised by Avidxchange, a Charlotte, NC-based fintech company.

Canadian Fund Performance

While investment activity was on the rise, the performance of Canadian venture capital and growth equity funds had not reached the same heights. Final 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 0.5% as of the end of Q1 2017, lagging far behind their US counterparts and public market equivalents. The improvement of Canadian VC fund performance over the past four years, however, has been consistent and has brought the sample of funds into positive territory.

Canadian Venture Capital Market Activity in the First Half of 2017

Canadian VC Trends by Region

While investment in Québec and Ontario increased slightly in the first half, up 6.5% and 2.6% respectively from the first half of 2016, the province of British Columbia more than doubled its investment levels from the year prior, with \$614 million invested in the first half. Québec, Ontario, and British Columbia respectively placed 7th, 8th, and 11th in the North American rankings. Québec and Ontario were separated in the rankings by barely \$1 million dollars, and both fell less than \$3 million short of the 6th place position, held by the state of Illinois.

In a similarly close race, Montreal placed 11th among North American cities with \$536 million in investment in the first half, while Toronto placed 12th with \$524 million. Canada's two largest cities were nestled between 10th place Austin, TX; and 13th place Atlanta, GA.

Canadian VC Trends by Sector

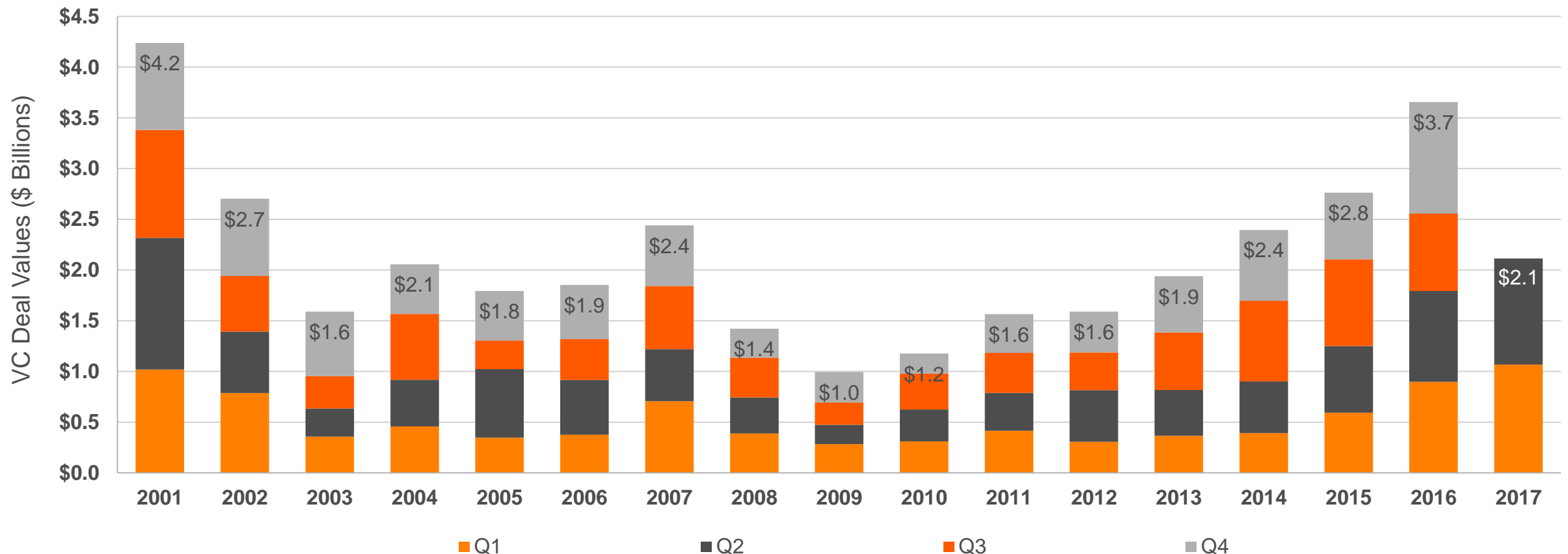
The information technology sector continues to be the driving force behind Canadian venture capital investment, with \$1.2 billion invested in the first half, or 58% of all market activity. Life sciences companies raised \$701 million in the first half, with pharmaceutical companies taking three of the top five deals, including Zymeworks' \$87 IPO which included investments by BDC Venture Capital and CTI Life Sciences, among others. Cleantech-focused companies raised \$107 of investment in the first half, while energy & industrial companies raised \$47 million.

Canada VC Fundraising Trends

Thirteen Canadian funds raised a total of \$617 million in the first half of 2017. While this was a comparatively poor showing as compared to the first half of 2016, when over \$1 billion was raised, 2016 had represented the best year for Canadian VC fundraising since the height of the dot com era. Highlights of year to date fundraising included OMERS Ventures Fund III at \$300 million and Vanedge Capital II Limited Partnership, with its third and final closing at \$161 million.

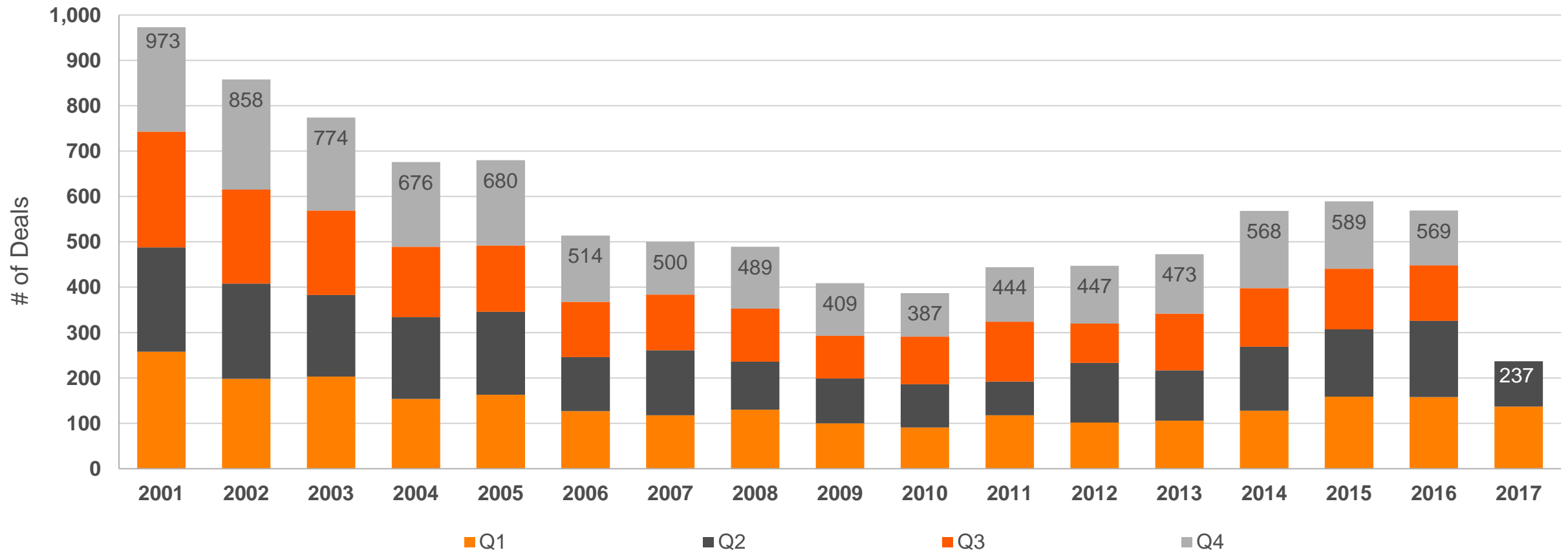
Historical Venture Capital Investment in Canadian Companies: Deal Values

Canadian companies raised \$2.1 billion in VC in the first half, representing the best first half since 2001, and the third consecutive quarter with over \$1 billion invested.



Historical Venture Capital Investment in Canadian Companies: Deal Volumes

More VC being deployed to a shrinking pool of Canadian companies. Deal volume down 27% from first half last year, with the fewest financing rounds in any quarter since Q3 2012.



Top Canadian Venture Capital Deals, First Half 2017

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investing Firms (Disclosed)
1	Aurinia Pharmaceuticals	\$231.1	Victoria, BC	Pharmaceuticals	ILJIN Life Sciences, Lumira Capital
2	Element AI	\$135.1	Montreal, QC	Artificial Intelligence	Data Collective, Real Ventures, BDC Venture Capital, Fidelity Investments Canada, Hanwha Investment, Intel Capital, Microsoft Ventures, National Bank of Canada, NVIDIA, Tencent
3	PointClickCare	\$110.9	Mississauga, ON	Healthcare Software	Dragoneer Investment Group, JMI Equity
4	Repare Therapeutics	\$90.0	Montreal, QC	Pharmaceuticals	Versant Ventures, MPM Capital, Fonds de solidarité FTQ, Celgene Corporation, BDC Venture Capital
5	Zymeworks	\$86.6	Vancouver, BC	Pharmaceuticals	BDC Venture Capital, Celgene Corporation, CTI Life Sciences, Eli Lilly & Co, Fonds de solidarité FTQ, Lumira Capital
6	eStruxture Data Centers	\$80.0	Montreal, QC	Cloud Computing	Caisse de dépôt et placement du Québec, Canderel
7	Visier	\$59.8	Vancouver, BC	Business Analytics	Sorenson Capital, Foundation Capital, Summit Partners, Adams Street Partners
8	GaN Systems	\$53.6	Ottawa, ON	Power Transistors	BMW i Ventures, BDC Capital, Chrysalix Venture Capital, Cycle Capital Management, RockPort Capital, Tsing Capital
9	Breather Products	\$53.2	Montreal, QC	Workspaces	Menlo Ventures, Valar Ventures, RRE Ventures, Slow Ventures, Real Ventures
10	Wealthsimple	\$50.6	Toronto, ON	Financial Technology	Power Financial Corporation

Top VC Investors in Canadian Companies, Partnerships & Governments

Canadian Private Independent Partnerships				First Half 2017
Rank	Firm Name	# Deals	Estimated Investments (\$ Millions)	Location
1	Real Ventures	19	\$15.3	Montreal, QC
2	Cycle Capital	11	\$33.1	Montreal, QC
3	Relay Ventures	8	\$10.6	Toronto, ON
4	iGan Partners	7	\$10.8	Toronto, ON
5	500 Startups Canada	6	\$1.4	Toronto, ON
6	iNovia Capital	5	\$28.3	Montreal, QC
7	Yaletown Venture Partners	5	\$9.7	Vancouver, BC
8	CTI Life Sciences	4	\$10.6	Montreal, QC
9	Avrio Capital	4	\$7.0	Calgary, AB
10	Portag3 Ventures	4	\$3.8	Toronto, ON

Canadian Government Funds				First Half 2017
Rank	Firm Name	# Deals	Estimated Investments (\$ Millions)	Location
1	BDC Venture Capital	36	\$95.5	Montreal, QC
2	MaRS Discovery District	15	\$9.0	Toronto, ON
3	Investissement Québec	4	\$11.0	Montreal, QC
4	Sustainable Development Technology Canada	3	\$10.1	Ottawa, ON
5	Export Development Canada	3	\$4.9	Ottawa, ON

Top VC Investors in Canadian Companies, Foreign & Other

Non-Canadian Investors				First Half 2017
Rank	Firm Name	# Deals	Estimated Investments (\$ Millions)	Location
1	Union Square Ventures	3	\$5.9	New York, NY
2	Connecticut Innovations	3	\$4.0	Rocky Hill, CT
3	Versant Ventures	2	\$33.0	Eden Prairie, MN
4	Foundation Capital	2	\$15.0	Menlo Park, CA
5	BMW i Ventures	2	\$11.5	Mountain View, CA
6	RRE Ventures	2	\$10.4	New York, NY
7	Social Capital	2	\$3.6	Palo Alto, CA
8	Domain Associates	2	\$2.0	Princeton, NJ
9	WI Harper Group	2	\$1.5	San Francisco, CA
10	Garage Technology Ventures	2	\$0.5	Palo Alto, CA

Canadian Retail, Institutional & Other Investors				First Half 2017
Rank	Firm Name	# Deals	Estimated Investments (\$ Millions)	Location
1	Desjardins Venture Capital	19	\$13.7	Lévis, QC
2	New Brunswick Innovation Foundation	13	\$2.4	Fredericton, NB
3	Fondaction	11	\$17.0	Montréal, QC
4	Fonds de Solidarité FTQ	7	\$39.2	Montréal, QC
5	Westcap	5	\$2.1	Saskatoon, SK

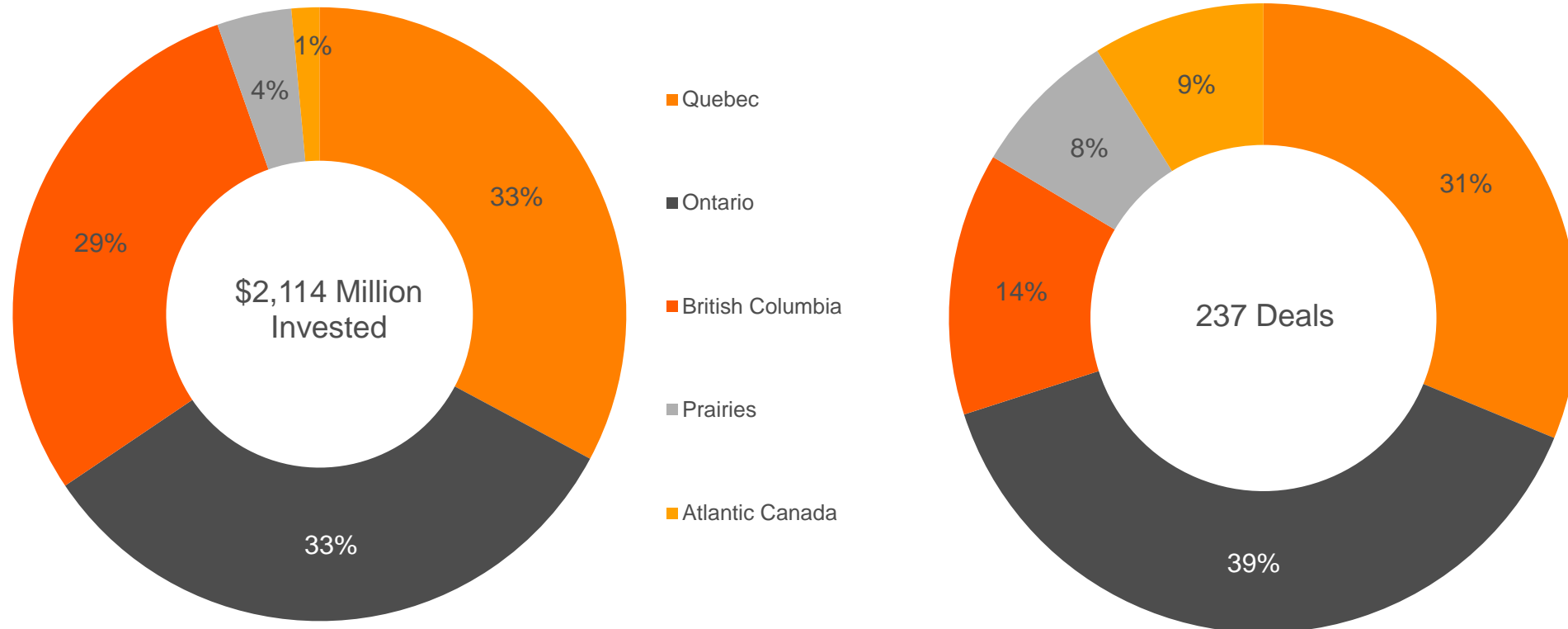
North American VC Rankings, by Province & State

North American Rankings				
H1 2017 Rank	State / Province	# Deals	H1 2017 VC Invested (\$ Millions)	\$ Change from H1 2016
1	California	776	21,622.3	-3.0%
2	Massachusetts	187	4,325.8	29.9%
3	New York	221	4,324.7	4.4%
4	Washington	65	971.7	93.8%
5	Texas	77	772.7	-33.0%
6	Illinois	58	694.6	2.0%
7	Québec	74	693.4	6.5%
8	Ontario	92	692.3	2.6%
9	Utah	18	634.8	50.7%
10	North Carolina	25	617.7	84.9%
11	British Columbia	32	613.7	100.6%
12	Colorado	53	585.7	176.6%
13	Florida	32	528.9	-60.4%
14	Georgia	35	517.9	86.4%
15	D. of Columbia	14	398.9	188.2%

North American Rankings				
H1 2017 Rank	State / Province	# Deals	H1 2017 VC Invested (\$ Millions)	\$ Change from H1 2016
16	Pennsylvania	76	342.6	-28.6%
17	Minnesota	17	302.4	32.9%
18	New Jersey	18	295.5	-28.6%
19	Maryland	24	293.2	12.8%
20	Michigan	22	290.9	80.8%
21	Virginia	34	258.6	-38.4%
22	Missouri	17	216.1	36.1%
23	Ohio	33	177.9	33.0%
24	Connecticut	28	174.3	33.6%
25	Arizona	17	142.4	1.9%
26	Idaho	3	134.2	15,760.1%
27	Oregon	18	83.5	-50.7%
28	Louisiana	3	80.9	87.6%
29	Tennessee	13	74.0	-34.0%
30	New Hampshire	5	64.3	18.7%

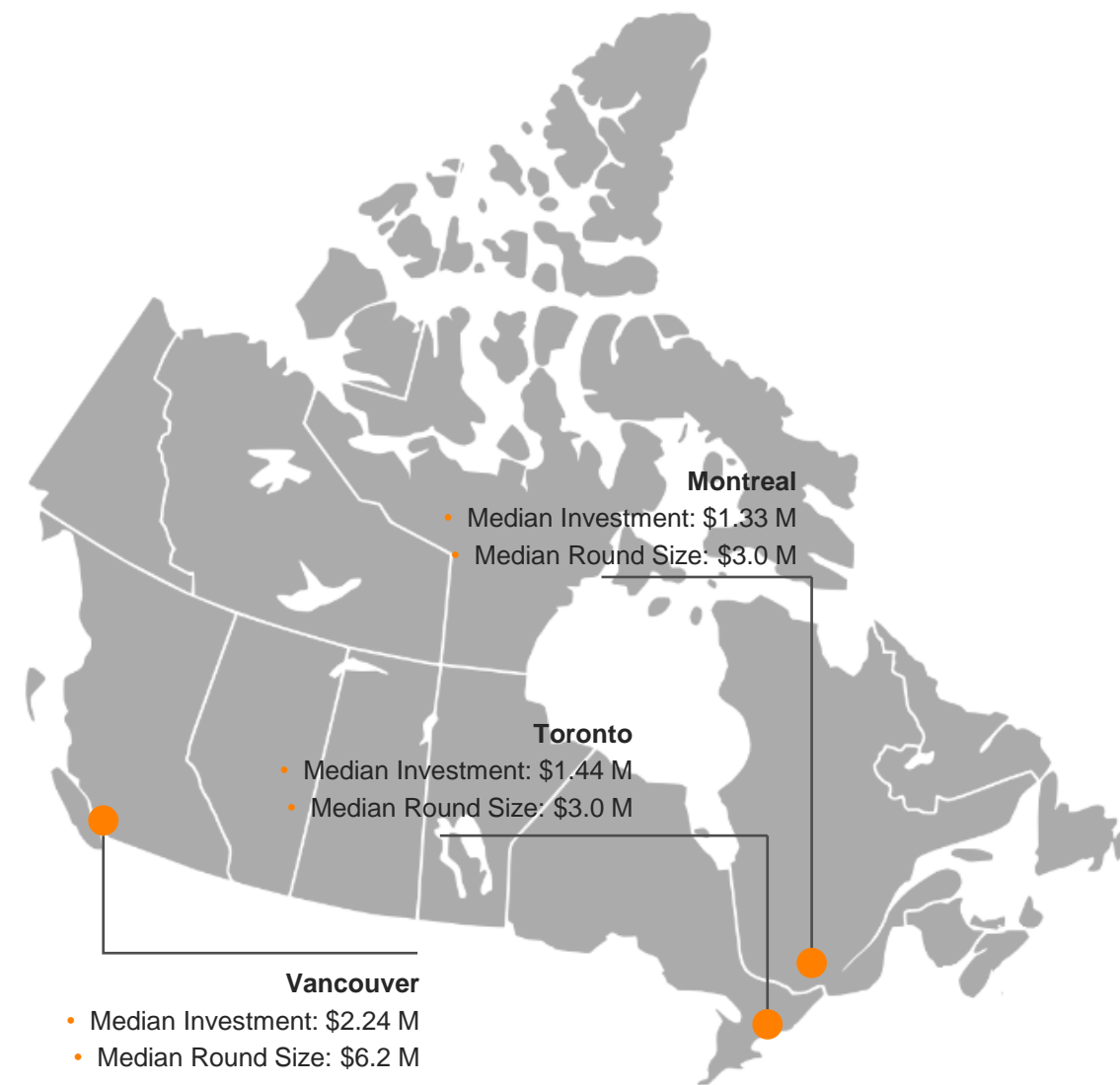
Canadian VC Investment by Province & Region

British Columbia companies secure \$614 million in the first half, not only setting a new all-time record for the province, but doubling the previous high of \$306 million set in H1 2016.



North American VC Rankings, by City

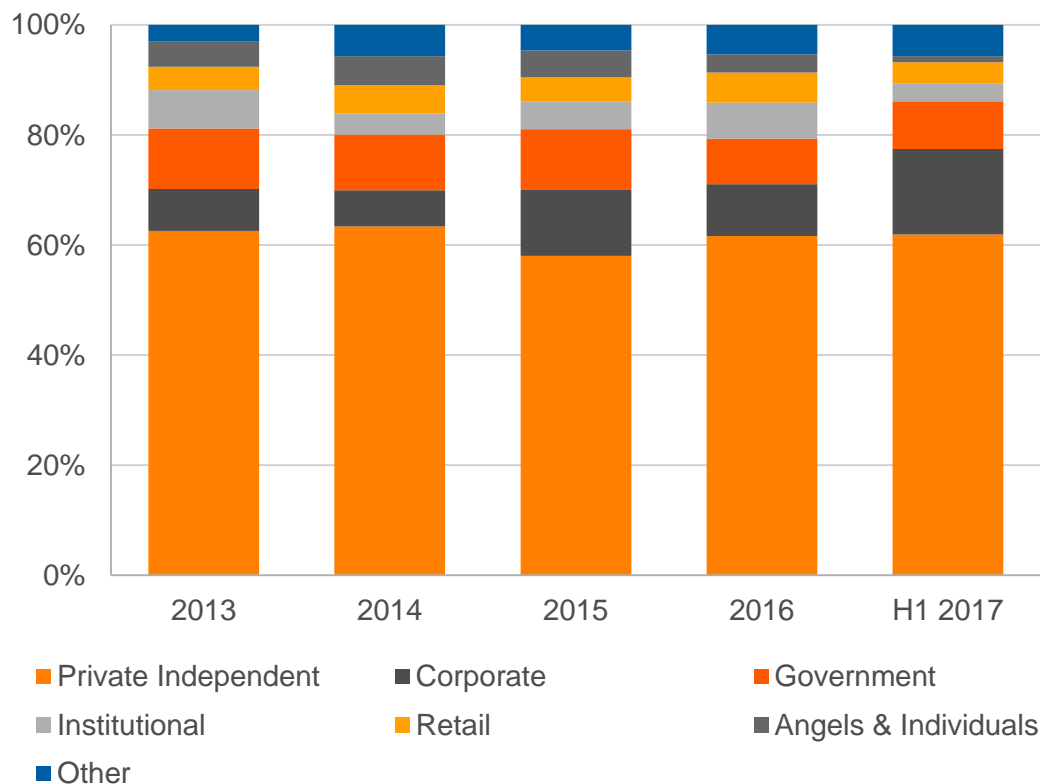
North American Rankings				
H1 2017 Rank	Metro Area	# Deals	H1 2017 VC Invested (\$ Millions)	\$ Change from H1 2016
1	San Jose	267	11,047.7	97.7%
2	San Francisco	312	7,348.8	-41.3%
3	New York City	244	4,443.4	-0.9%
4	Boston	176	4,146.9	28.0%
5	Los Angeles	105	1,825.2	-37.4%
6	Washington Metroplex	73	951.6	16.3%
7	Seattle	59	951.1	96.7%
8	Chicago	55	690.4	3.9%
9	San Diego	46	652.3	-25.1%
10	Austin	56	625.0	21.2%
11	Montreal	53	535.9	-5.3%
12	Toronto	69	524.0	14.6%
13	Atlanta	35	517.9	84.5%
14	Denver	48	500.6	146.3%
15	Orange County	28	459.6	-26.3%



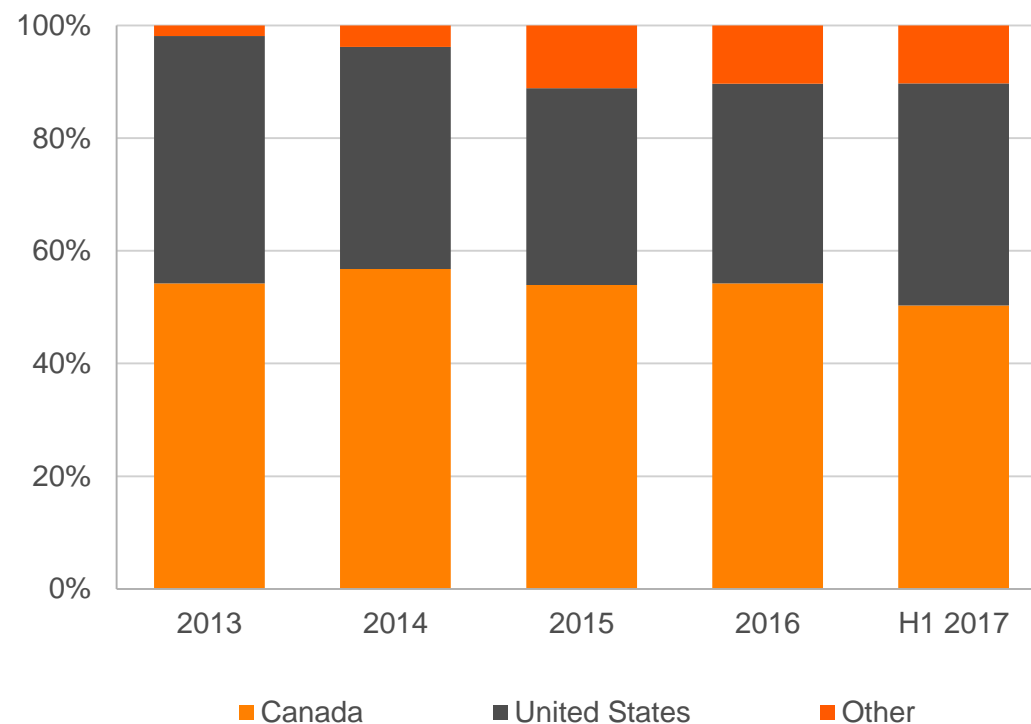
Venture Capital Investment by Origin of Capital

Corporate investors grow to 15% of first half VC activity. Canadian investors now account for only 50% of dollars disbursed, falling from an average of 57% over the past decade.

Investor Type



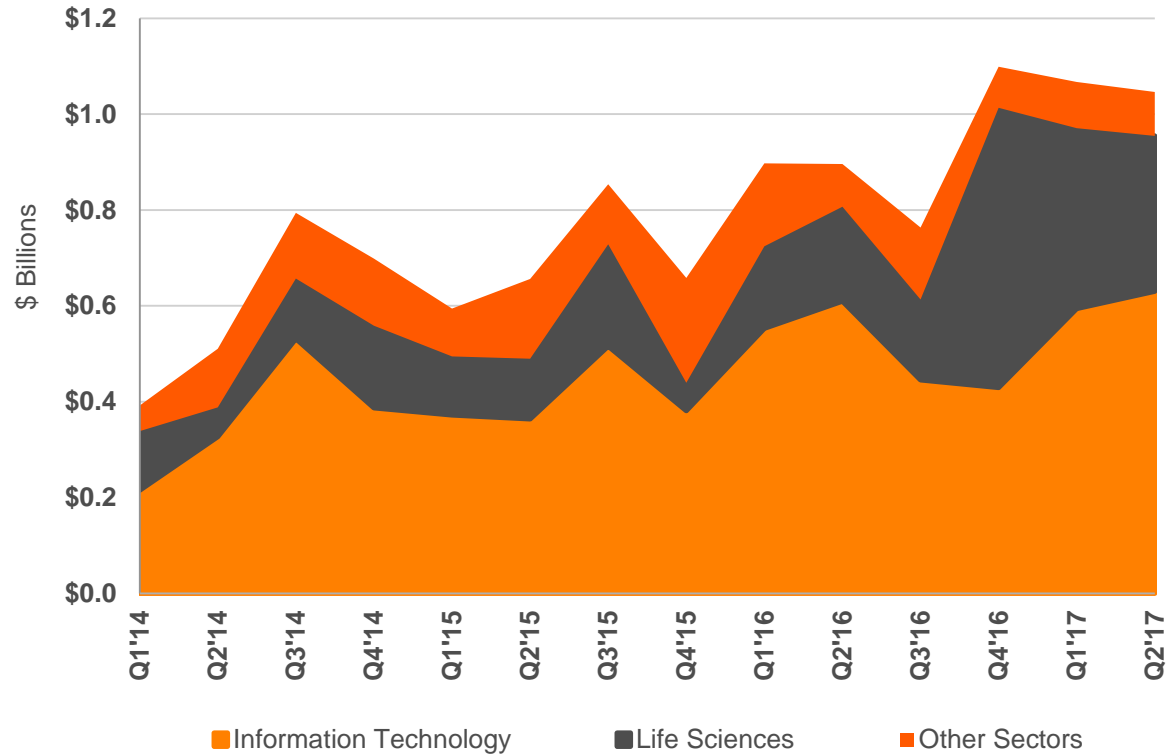
Investor Location



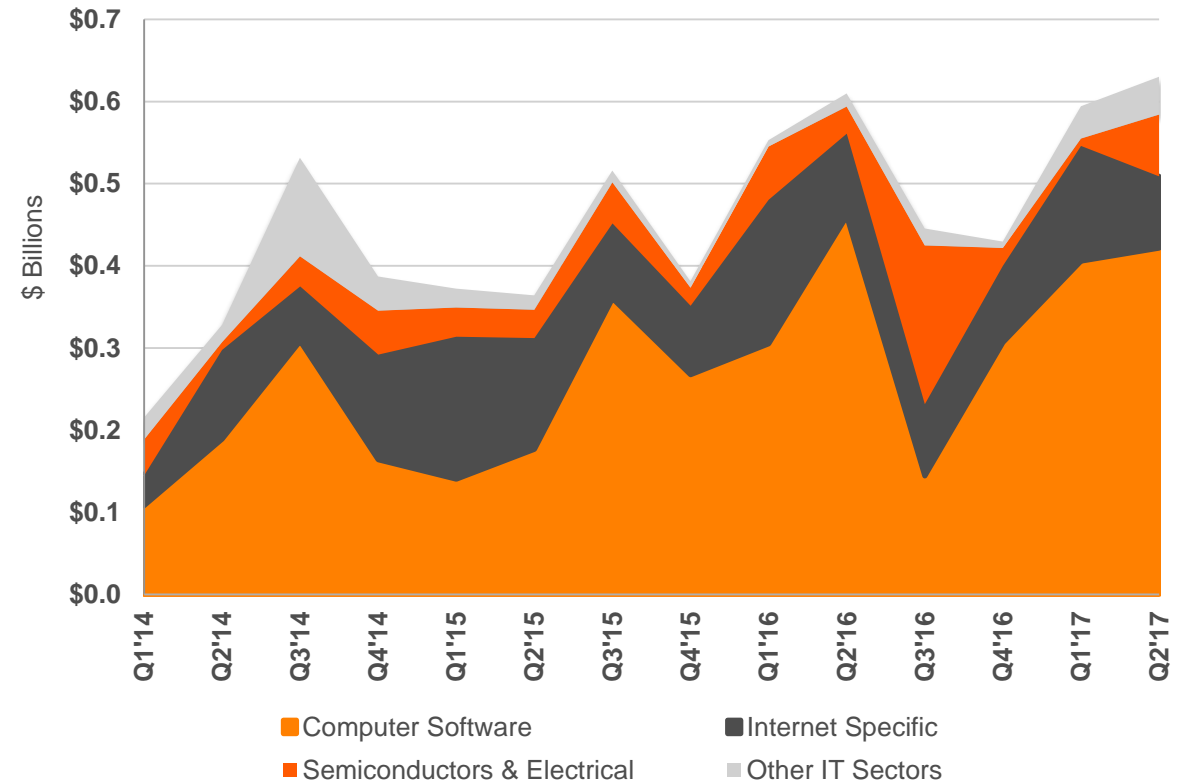
Information Technology Sector Driven by Software Dealmaking

Canadian IT companies raised \$630 million in Q2 2017, the most dollars invested since Q3 2001, but with the fewest companies financed since Q2 2013.

All Sectors



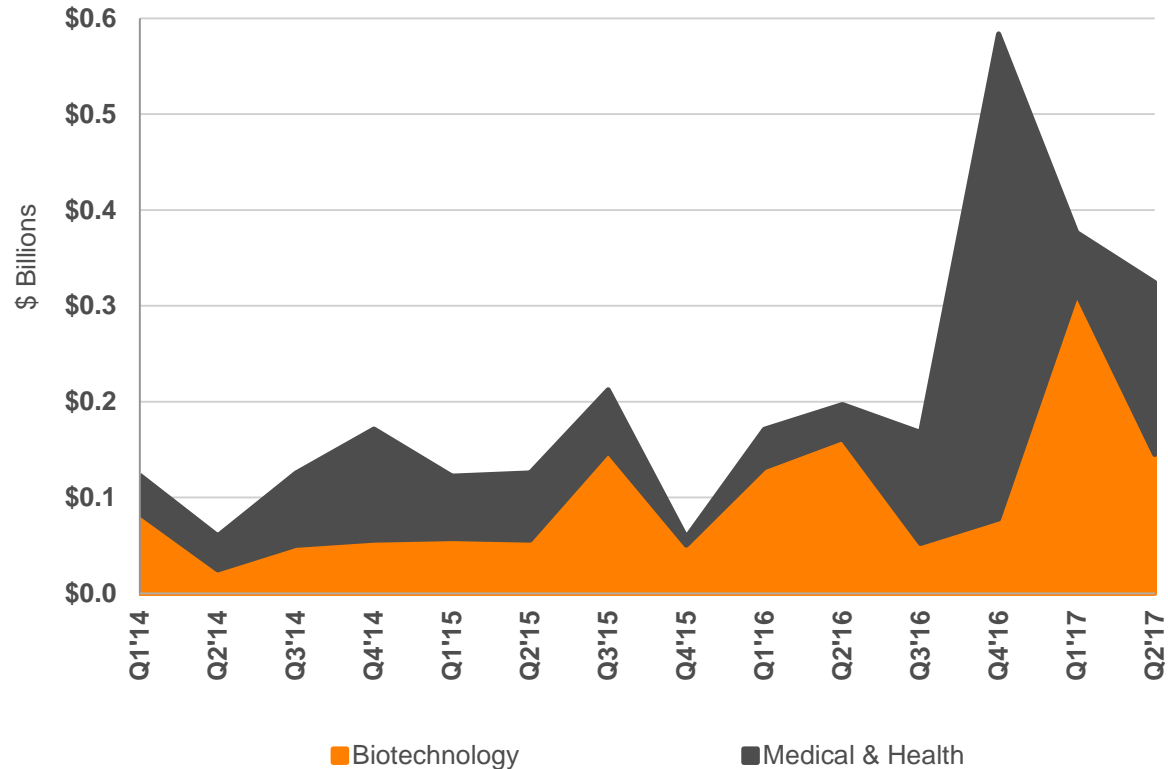
Information Technology



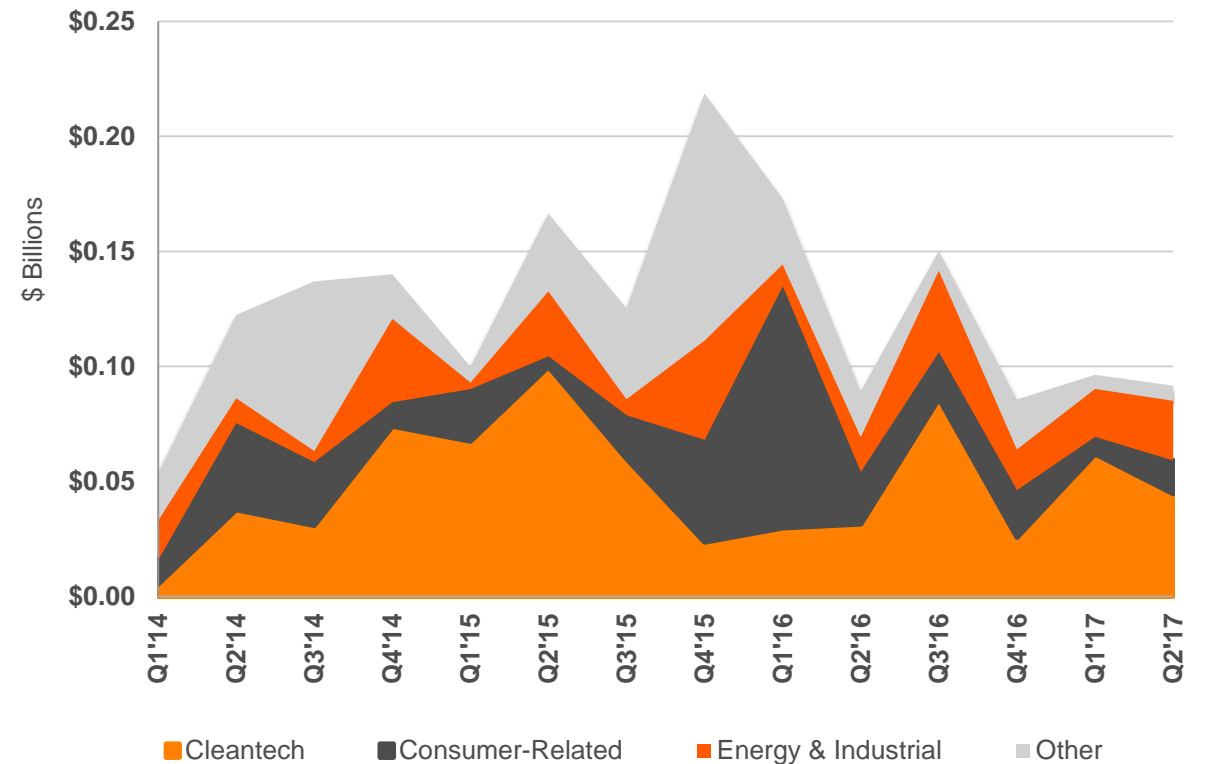
Biotech, Medical & Cleantech Sectors Round Out First Half Investment Activity

Over \$700 million invested in Canadian life sciences companies in the first half of 2017, 14% more than the first halves of 2016 and 2015 combined.

Life Sciences

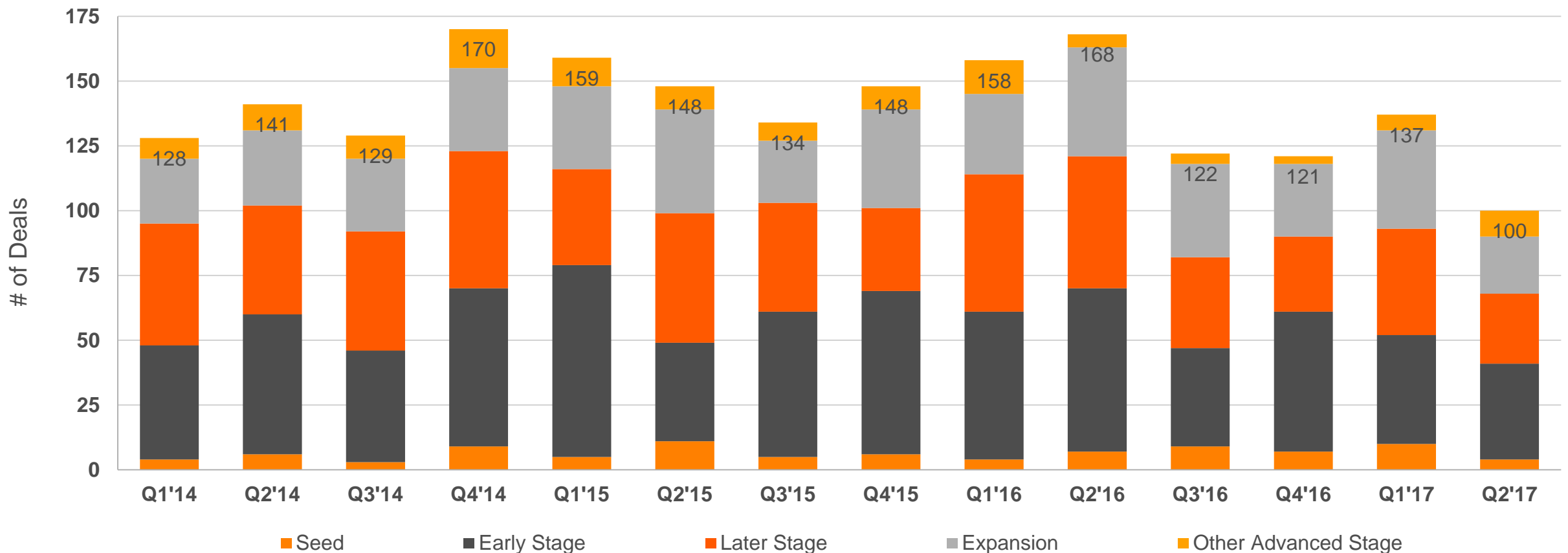


Other Sectors



VC Investment in Canadian Companies: Deal Stages

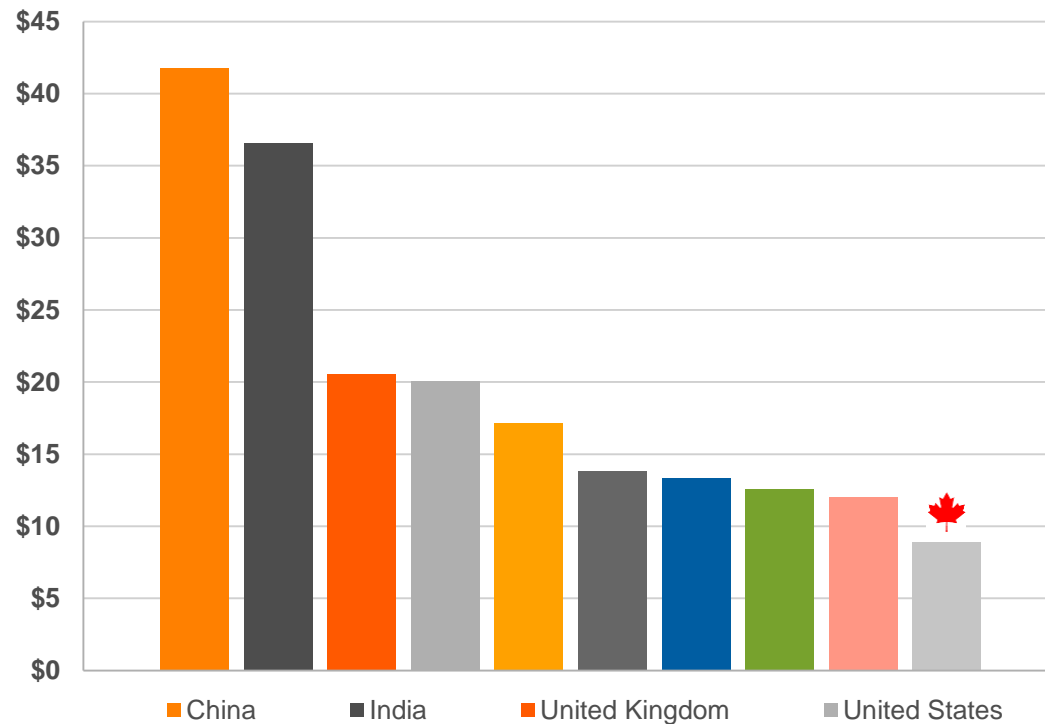
This Q2 sees fewest VC deals completed since Q3 2012. Deal volumes down 40% from same period last year, down 27% quarter-over-quarter.



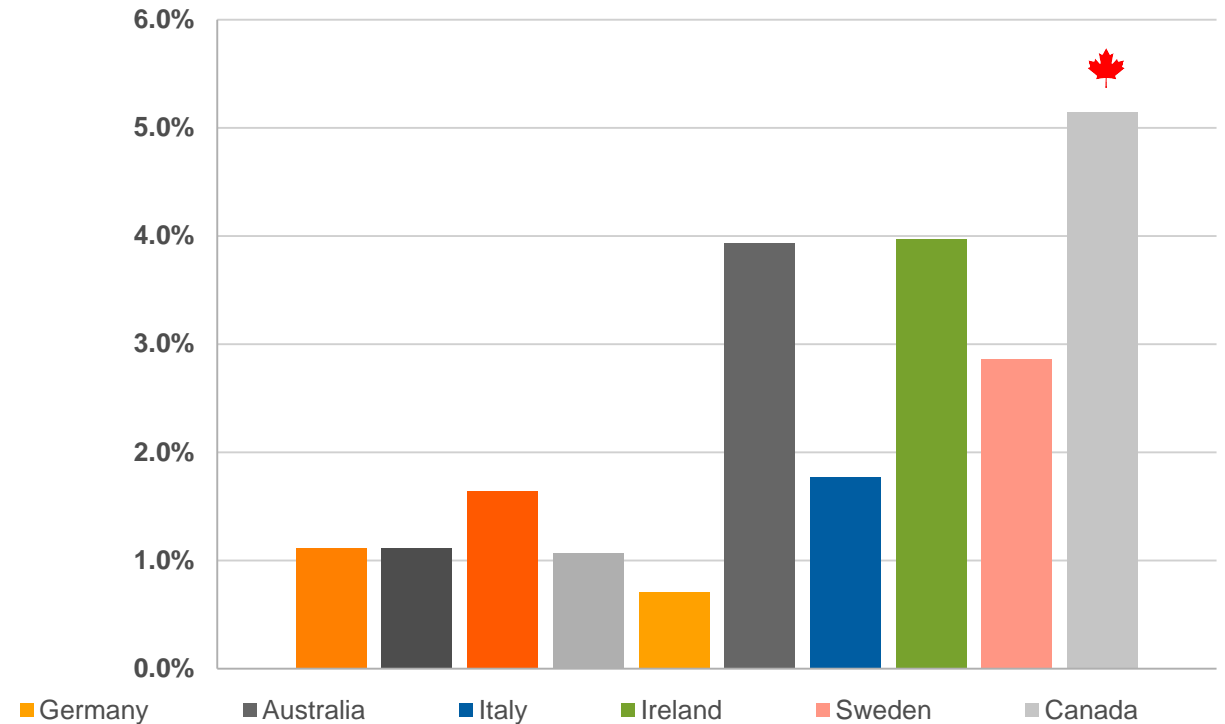
Venture Capital Deal Sizes in Canada, International Context

Among top VC attracting nations, Canada ranks highest in direct government participation within its VC deals, but last in average round size.

Average VC Deal Size, First Half 2017 (\$ Millions)



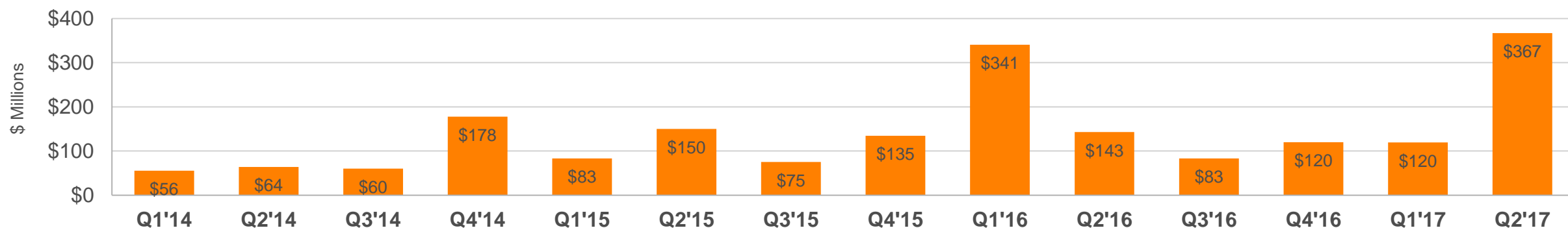
Direct Government Investment in VC First Half 2017



Canadian Dealmaking Abroad

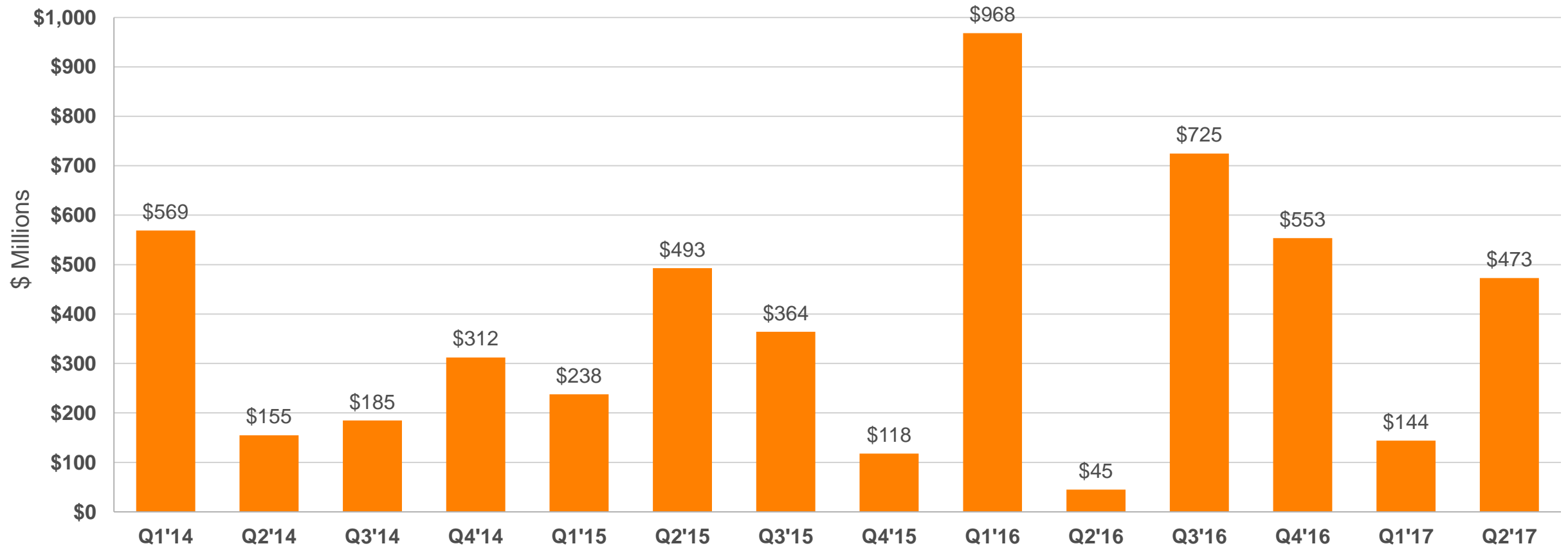
Canadian VCs invest \$487 million in 39 non-Canadian companies in the first half. This Q2 sees the most outbound investment in a single quarter since Q2 2001.

Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Canadian Investors (Disclosed)
1	Lyft	\$794.8	San Francisco, CA	Transportation	PSP Investments
2	Avidxchange	\$405.5	Charlotte, NC	Fintech	Caisse de dépôt et placement du Québec
3	Convvene Conference Centers	\$93.0	New York, NY	Workspaces	Brookfield Property Partners
4	SutroVax	\$85.9	San Mateo, CA	Biopharmaceuticals	CTI Life Sciences
5	Calysta Energy	\$54.7	Menlo Park, CA	Industrial Products	Pangaea Ventures



VC Fundraising by Canadian Firms

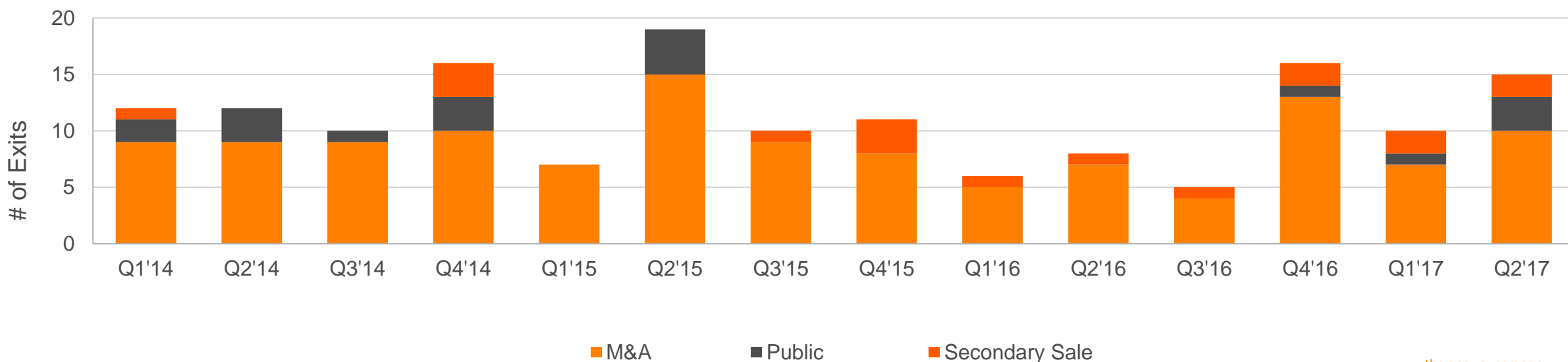
Thirteen funds raised \$617 million in the first half, a marked decline from 2016 which was itself the strongest year for Canadian VC fundraising since the height of the dot com era.



Canadian VC-Backed Exits

First half sees 25 completed exits from Canadian VC-backed companies, a 79% improvement over the 14 exits completed in the first half of 2016.

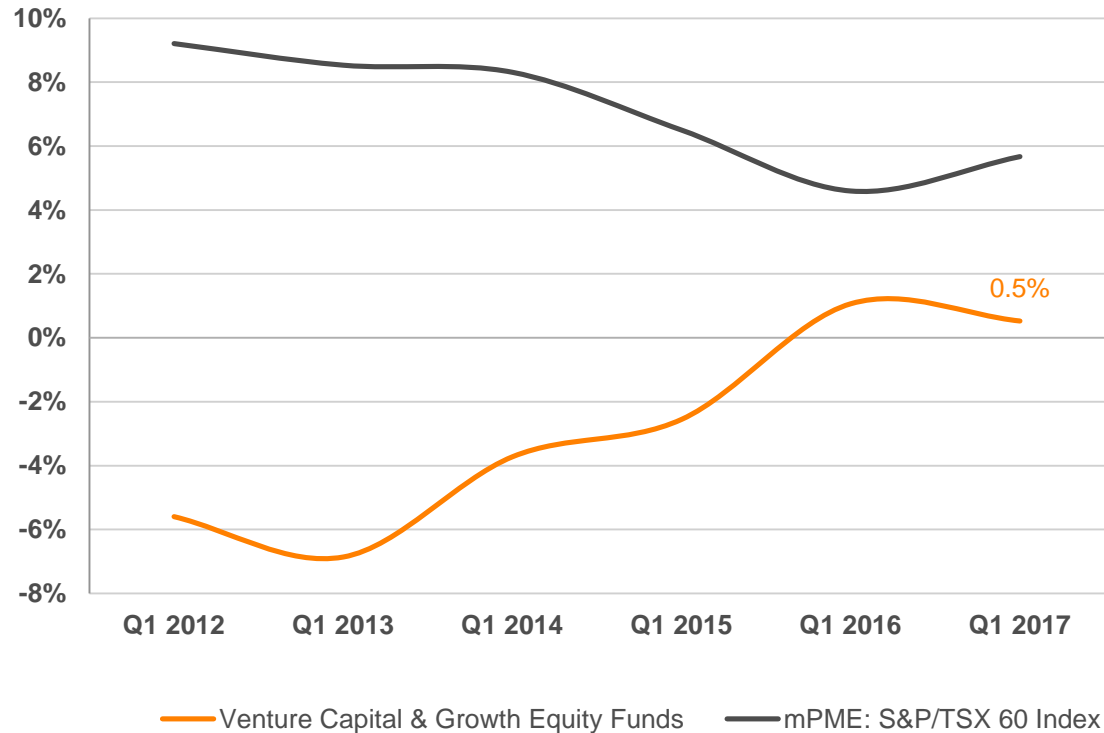
Portfolio Company					Investors
Rank	Company Name	Deal Value (\$ Millions)	Location	Sector	Investors (Disclosed)
1	Lumenpulse	\$531	Montreal, QC	Lighting Products	Fonds de solidarité FTQ, Desjardins
2	Real Matters	\$157	Markham, ON	Real Estate Software	Kensington Capital Partners, Wellington Financial, Whitecastle Investments
3	Freshii	\$144	Toronto, ON	Food Service	Klass Capital



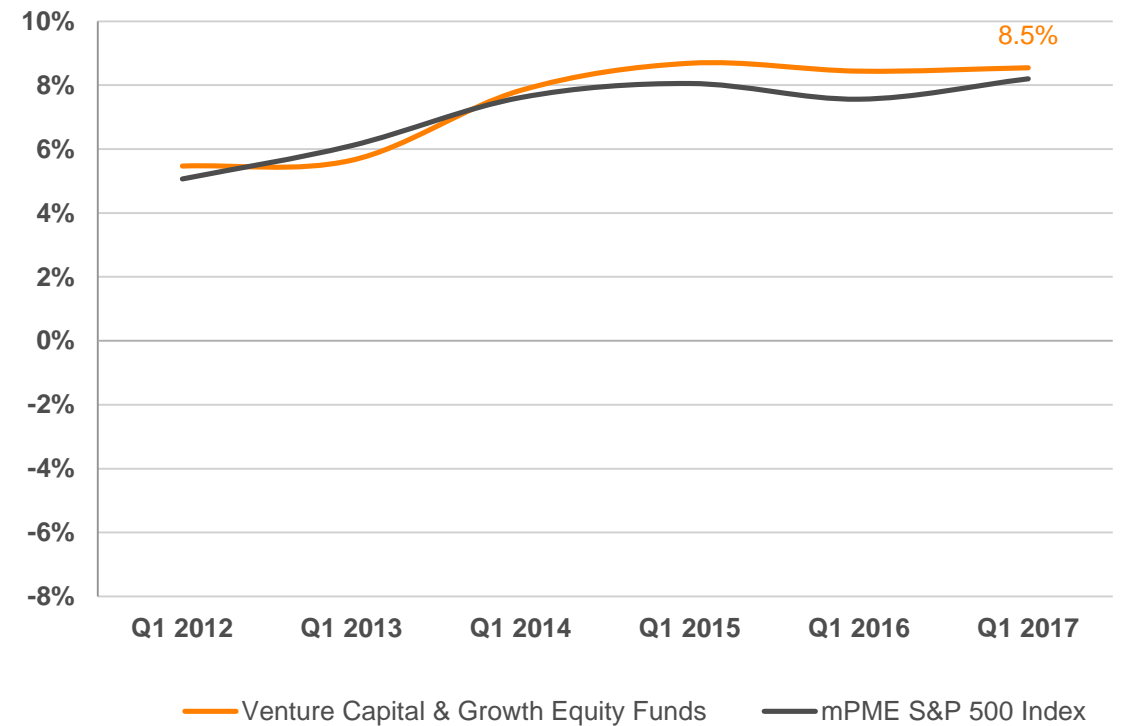
Cambridge Associates: Venture Capital Fund Performance

Canadian private independent funds holding slightly positive returns following long stretch of negative performance, but still lagging far behind 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, 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 October 1st, 2016 to March 31st, 2017.
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 US dollars, from inception to the end of the indicated quarter, under published data mode Q1 2017. 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 Monday July 24th, 2017. 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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