

# Goodmans<sup>LLP</sup> Update

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## Update on Venture Capital Activity in Canada

PwC Canada and CB Insights recently released their Q3 2018 MoneyTree Canada Report (the “**Report**”). The Report provides an in-depth analysis of Canadian venture capital (“VC”) trends from a global perspective, noting top sectors, markets and investors for the year to date.

### Q3 2018 – No Year-Over-Year Increase in Canadian VC Activity

Financing and deal activity in Canada fell sharply in Q3 2018. After a record 127 deals in Q2 2018, deal activity fell to 87 in Q3. Total funding raised in Q3 2018 totalled US\$541 million, representing a 42% drop in funding compared to last quarter’s US\$927 million. Q3 2018 is the only quarter in the last eight quarters where VC activity in Canada did not increase year-over-year.

### VC Activity by Region

The majority of VC activity for Q3 2018 took place in Ontario, with 35 deals totalling US\$256 million. British Columbia and Quebec followed in second and third place, with 23 deals totalling US\$108 million and 20 deals totalling US\$110 million, respectively. Toronto, Vancouver, and Montreal rank as the top markets in Canada as of Q3 2018 for VC activity. Toronto led the way, although investment decreased by 18% down to US\$248 million across 30 deals (versus 32 deals in Q2 2018). Activity in Vancouver decreased in terms of deal volume, down to 21 deals from 30 deals in Q2 2018. Dollar activity in Vancouver also decreased by 14%, from US\$120 million in Q2 2018 to US\$104 million in Q3 2018. Montreal deal activity declined slightly from 17 deals in Q2 2018 to 16 deals in Q3 2018, while quarterly funding fell by US\$10 million for Q3 2018.

### VC Activity by Sector

Although internet funding and activity declined for the second straight quarter in Q3 2018, the internet sector was the most active sector for VC activity in Canada, with US\$256 million invested across 37 deals. In terms of deal share, Canadian internet companies saw an increase in Q3 2018, with deal share climbing to 42% from 33% in Q2 2018. The healthcare sector saw deal activity and funding decline, with US\$45 million invested across 12 deals. In terms of deal share, healthcare companies also saw an increase for the second straight quarter, rising to account for 13% of all deals. Mobile & telecom funding fell substantially in Q3 2018, with only US\$14 million invested across eight deals compared to US\$186 million and 13 deals in Q2. However, this drop in funding came after two unusually large deals in Q2 – namely, Ritual Technologies (US\$70 million Series C), and TouchBistro (US\$54 million Series D). The industrial sector saw US\$96 million invested across six deals, and the software (non-internet/mobile) sector saw US\$31 million invested across six deals. Finally, the environmental services and equipment sector saw US\$23 million invested across four deals in Q3 2018.

Canadian Digital Health companies raised US\$83 million in Q3 2018, representing a 168% increase over Q2 2018 and a figure well above the range for funding in recent quarters. Canadian Fintech companies raised US\$115 million in Q3, jumping up 31% from last quarter. Canadian start-ups focused on artificial intelligence saw funding drop by 35% to US\$106 million in Q3 2018, after a 96% run-up last quarter.

The largest deals in Q3 2018 included Toronto-based Kira, which raised US\$50 million, Toronto-based LEAGUE, which raised US\$47.2 million and Edmonton-based Nuna Logistics, which raised US\$42.5 million.

### Goodmans Technology Group

To assist clients in the technology sector, Goodmans brings together our acknowledged expertise in corporate/commercial, private equity, corporate finance, mergers and acquisitions, outsourcing, licensing, intellectual property, privacy, regulatory and media, cleantech, tax, litigation, human resources, corporate restructuring and administrative law. We do so both for innovative businesses in their start-up phase and for well-established businesses of all types.

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Goodmans continues to lead in the technology sector and is partnered with the DMZ at Ryerson University. The DMZ is a leading business incubator (selected by UBI as the top-ranked university incubator in the world), which connects its start-ups with resources, customers, advisors, investors, and other entrepreneurs. Goodmans is also a proud partner of IDEABOOST, an initiative of the Canadian Film Centre's Media Lab; building the next generation of technology-based media entertainment products, services and brands. Through these partnerships, Goodmans provides legal advice, mentorship and networking opportunities to assist start-ups in maximizing their potential.

Goodmans is also an internationally recognized leader in other aspects of technology law and transactions. From our thought leadership, through participation on the Boards of associations such as CanTech (Canadian Technology Law Association), CORE (Centre for Outsourcing Research and Education), CIEG (Canadian Institute for Exponential Growth, which organized the Summit) and iTechLaw (International Technology Law Association), to our involvement in major technology procurement, joint venture and outsourcing transactions, to our representation, in court proceedings and in arbitrations, of major technology providers, and users of technology, in ground-breaking cases, our Technology Group is consistently at the forefront of leading technology transactions and cases.

Members of our Technology Group are recognized as leading technology lawyers in Chambers Global, Lexpert, Legal 500 Canada, Legal Media Group's The Best of the Best, The Best Lawyers in Canada, Law Business Research's The International Who's Who of Business Lawyers, and The Lexpert /American Lawyer Guide to the Leading 500 Lawyers in Canada, teach internet and communications law at Canada's largest law schools, are regular lecturers at technology industry events and legal conferences, and have published articles in the technology law field.

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