

Technology

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2016 Venture Capital Activity Remained Strong in Canada Despite a Global Downturn

According to the PwC Canada and CB Insights 2016 MoneyTree Canada Report published in January of 2017 (the “**Report**”), the venture capital landscape in Canada is steadily growing, despite a global decline.

The Report provides an in-depth analysis of Canadian trends from a global perspective, noting top sectors, markets and investors for the year. MoneyTree Reports have been released in the United States for the past 20 years, but 2016 is the first year an entirely Canadian edition has been published.

Canada from a Global Perspective

While most global markets faced a decline in 2016 from the previous year, Canada maintained positive trajectory. Deal volume increased seven percent, from 246 to 266 deals, and total investment stayed virtually the same at \$1.7 billion USD. By comparison, the United States VC market had deal volume and investment declines of 16 percent and 20 percent, respectively. This was consistent with the global deal volume and investment decreases of 10 percent and 23 percent, respectively.

The Canadian VC market maintained its pace for all of 2016, remaining above 50 deals per quarter through the year, and topping 70 deals in Q1 and Q4. Still, Q4 saw the greatest investment, with \$527 million USD deployed to startups.

VC Activity by Region

Ontario took the largest share of the market by a wide margin, with \$967 million USD of VC investment. This was followed by Quebec and British Columbia with \$343 million USD and \$267 million USD in investment, respectively. The most active cities in the market were

Toronto and Montreal. Toronto companies closed 87 VC deals in 2016, totalling \$578 million USD in investor capital, while Montreal companies closed 41 deals for a total of \$334 million USD. In addition, the Waterloo Region’s 16 deals saw a 65 percent jump in deal value from the previous year to \$253 million USD, primarily attributed to Thalmic Lab’s \$120 million USD Series B funding.

VC Activity by Sector

In 2016, VC investors were most active in the Canadian internet, FinTech, mobile and telecommunication and digital health sectors. The success of the internet sector was led by Thalmic Lab’s impressive raise noted above, which accounted for over one third of the \$306 million USD in total funding.

The top five deals in Canada, all of which took place in Ontario and Quebec, raised a total of \$419 million USD. Thalmic Labs led the way, followed by Dalcour Pharmaceuticals with \$100 million USD and Real Matters with \$77 million USD.

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