

Goodmans^{LLP} Update

Canadian Venture Capital Funding in Canada Surges in 2018

PwC Canada and CB Insights recently released their Q4 and Full-Year 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.

Full-Year 2018 – Highs for VC Dollars and Deals

Canadian VC-backed companies raised US\$3.5 billion over 471 deals in 2018, increases of 35% and 30%, respectively, over 2017. This makes 2018 the largest year in terms of VC dollars and deal count since CB Insights began collecting data from MoneyTree in 2012. These numbers were achieved despite a relatively weak Q3, and were driven in part by five mega-deals (deals of over US\$100 million), three of which occurred in the fourth quarter.

Q4 2018 – Canadian Deals and Dollars Jump in Q4

Financing activity in Canada increased 79% in Q4 2018 over Q3, and deal activity increased by 21%, with VC-backed companies receiving US\$983 million across 116 deals. This figure was driven in part by three mega-deals and an increase in corporate participation to 41%, which is significantly higher than the global average of 32%. Seed-stage deals as a percentage of total deal share also increased to 31% in Q4, up from 25% in Q3.

VC Activity by Region

Consistent with Q4 and full-year 2017, the most VC activity took place in Ontario, driven largely by activity in Toronto. For full-year 2018, Toronto saw an increase in VC dollars invested and deal count of 47% and 18% to US\$1,305 million and 160, respectively, over 2017. In Q4, Toronto saw an increase in the same metrics to US\$315 million and 43 from US\$147 million and 25, respectively, over Q4 2017. For full-year 2018, Quebec and British Columbia followed Ontario, with 105 deals totalling US\$1,298 million and 104 deals totalling US\$393 million, respectively. Toronto, Montreal, Quebec City and Vancouver rank as the top metros in Canada of 2018 for VC activity. Montreal deal activity rose slightly to 74 in 2018 from 71 in 2017, while full-year funding hit US\$861 million, up 29% over 2017. Quebec City experienced the largest percentage increase in funding from 2017, up 133% to US\$427 million, as well as an increase in deal count to 30, up from 11 in 2017. Activity in Vancouver increased significantly to 101 deals in 2018 from 60 in 2017, but experienced only a 14% increase in funding.

VC Activity by Sector

In full-year 2018, the internet sector maintained its position as the most active sector for VC activity in Canada, with US\$1,276 million invested across 169 deals. This is followed by mobile and telecom, which experienced an increase in funding of 11% to US\$461 million over 2017. In particular, this sector experienced an almost 1300% increase in funding in Q4 2018 over Q3 2018, driven by a large Series D round raised by mobile flight booking start-up Hopper. The next most active sectors were healthcare (US\$378 million in 2018, a decrease of 13% from 2017), software (US\$145 million in 2018, an increase of 1% over 2017), consumer products and services (US\$134 million in 2018, an increase of 294% over 2017), and industrial (US\$120 million in 2018, an increase of 72% over 2017).

The largest deals in 2018 include Montreal-based Enerkem (Q1), which raised US\$224 million, Quebec City-based Ocean Group (Q4), which raised US\$112 million, and Montreal-based Hopper (Q4), which raised US\$100 million.

The increase in VC activity in 2018 and the high level of activity in 2018 is further evidence that Canada’s technology sector continues to thrive. Of particular note is the increase in investment from Canadian VCs, aiding companies in the search for late-stage funding.

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. 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 North America, and third 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 startups 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 representing, in court proceedings and in arbitrations, 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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