

Goodmans^{LLP} Update

Venture Capital Funding in Canada Surges in Q1 2018

PwC Canada and CB Insights recently released their Q1 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.

Record US\$1 Billion in Canadian Investment

Total financing activity in Canada increased 52% over the last quarter, with over US\$1 billion in total investment across 105 deals. This figure is up from US\$552 million in Q1 2017 and US\$669 million in Q4 2017. According to PwC, Canadian investment in Q1 2018 represents the largest amount seen since 2012, when CB Insights began collecting data for the Canadian MoneyTree reports. Investment was led by Montreal-based energy company Enerkem, which raised US\$224 million, and Ancaster-based healthcare company The Green Organic Dutchman, which raised US\$90 million.

“A record US\$1 billion in VC financing this quarter is a sure sign that the world continues to focus on the strength of Canadian innovation. With a 52% increase in funding from last quarter over 105 deals, 2018 is off to a great start,” said Chris Dulny, National Technology Industry Leader, PwC Canada. If investment in Canadian companies continues at this pace, the country could see its strongest year to date.

VC Activity by Region

Consistent with past reports, deal activity in Toronto, Vancouver, Montreal and Ottawa continued to grow. Notably, Toronto saw a 165% increase in funding with US\$321 million invested across 38 deals. Vancouver deal activity hit an eight-quarter high, with US\$103 million invested across 20 deals, seven more deals than Q4 2017, and VC investment in Montreal nearly doubled to US\$399 million, led by Enerkem as noted above. Waterloo also saw a 68% growth in VC investment, as US\$52 million was spread across three deals, compared to US\$31 million in Q4 2017.

The six largest deals were all with companies based in Ontario or Quebec and were all expansion stage or later stage companies. Despite the investment concentration of Canada’s larger urban centres, investment in the Prairies and Atlantic Canada continues to stay strong, with US\$15 million over seven deals and US\$7 million over six deals, respectively.

VC Activity by Sector

Investment in Canadian internet companies made an impressive 155% leap from Q1 2017, with US\$355 million invested across 41 deals. Investment in Canadian artificial intelligence companies grew 88% from Q1 2017 to US\$83 million across eight deals, and Canadian healthcare companies received US\$126 million across ten deals, a 66% growth rate from Q1 2017. Despite only four deals in the sector, energy & utilities companies received US\$295 million in investment. Canadian FinTech companies received US\$88 million invested across eight deals in Q1 2018, a 60% decline from Q4 2017, however PwC noted total quarterly funding in Q4 2017 was driven by Lightspeed’s US\$136 million mega-round.

The increase in VC activity in Q1, particularly with internet companies, is further evidence that Canada’s technology sector continues to thrive and that the focus at all levels on growing the infrastructure to support these early stage companies is starting to reap the rewards. With 60% of corporate VC investment coming from non-Canadian investors, it is clear the world is taking notice of this thriving ecosystem.

For further information, please contact any member of our Technology Group.

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 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.

Authors



Dan Eitutis
deitutis@goodmans.ca
416.849.6931



Allan Goodman
agoodman@goodmans.ca
416.597.4243

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