

Technology

October 30, 2017

Venture Capital Funding in Canada Surges in Q3 2017

PwC Canada and CB Insights recently released their Q3 2017 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. While MoneyTree reports have been released in the United States for the past 20 years, this is just the fourth report dedicated to Canadian VC activity.

Q3 2017 - On Track for a \$2 Billion+ Year

Financing activity in Canada increased 110% in Q3 2017 over Q2, and deal activity increased by 21%, with VC-backed companies receiving US\$858 million across 81 deals. This figure was driven by a pair of \$100 million or more megarounds. To date in 2017, US\$1.8 billion has been invested across 228 deals. At the current rate of investment, full-year totals in Canada are on track to exceed US\$2 billion across more than 300 deals.

VC Activity by Region

Consistent with Q2 2017, the majority of VC activity took place in Ontario, with 47 deals totalling US\$450 million in Q3 2017. Quebec and British Columbia followed, with 18 deals totalling US\$252 million and 12 deals totalling US\$67 million, respectively. Toronto, Montreal and Vancouver rank as the top metros in Canada of Q3 2017 for VC activity. Toronto led the way, seeing US\$279 million invested, an increase of 154% from Q2 2017, across 32 deals in Q3, as opposed to 28 in Q2 2017. Montreal deal activity rose from 11 in Q2 2017 to 15 in Q3, while quarterly funding nearly hit US\$150 million for the second quarter. Activity in Vancouver decreased in terms of deal volume, down to 11 deals from 12 in Q2 2017, while dollar activity increased US\$10 million from US\$57 million in Q2 2017 to US\$67 million in Q3.

VC Activity by Sector

In Q3 2017, the internet sector maintained its position as the most active sector for VC activity in Canada, with US\$247 million invested across 34 deals. This is followed by healthcare, which rebounded from an eight-quarter low in Q2 to a record US\$169 million in investments over 17 deals, mobile & telecom with US\$131 million invested across 12 deals, and computer hardware & services with US\$124 million invested across two deals.

The largest deals in Q3 2017 thus far include Waterloo Region-based eSentire, which raised US\$100 million, Montreal-based Milestone Pharmaceuticals, which raised US\$55 million and Toronto-based Ritual Technologies, which raised US\$44 million.

The increase in VC activity in Q3 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.

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, 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 startups with resources, customers, advisors, inventors, 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

Goodman's^{LLP} Update

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. Outsourcing technology functions and technology procurement is also a major strength of Goodmans, where we have assisted technology users to transform their businesses. Finally, Goodmans has represented in court and in arbitrations major technology providers, and users of technology, in ground-breaking cases that have made important contributions to the development of technology law. Members of our Technology Group 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.