

Crown Corporation Business Plans 2016–2017

Innovacorp



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Message from the Board Chair

In February 2014, the Nova Scotia Commission on Building Our New Economy delivered *Now or Never: An Urgent Call to Action for Nova Scotians*. Commonly referred to as the “Ivany Report,” the commission highlighted underlying challenges in the Nova Scotia economy and expressed a belief that we have the ability to change our path – and the moment to change that path is now. Subsequently, the ONE NS Coalition developed a 10-year plan to realize the vision and goals set forth in the Ivany report.

At Innovacorp, we see emerging opportunities that can be capitalized upon to improve our future.

Nova Scotia’s start-up scene is increasingly vibrant, and like any other ecosystem it is not immune to global financial, demographic, and socioeconomic factors. Still, in contrast to the Nova Scotia economy at large, the start-up segment is relatively robust. As the province’s early-stage venture capital organization, Innovacorp sees the start-up community’s momentum building every day. The young, knowledge-based companies Innovacorp invests in and assists are innovative and globally competitive, and they create high-value jobs. These start-ups are vital to growing our economy.

This plan outlines how Innovacorp will help deliver on the provincial government’s priority of innovation and establish Nova Scotia as a strong and globally competitive economy. The work will help create a climate for private sector and social enterprise economic growth by concentrating our efforts on the following priorities in government’s Framework for Private Sector Growth:

- Increasing Entrepreneurship and Start-ups
- Supporting Innovation and Commercialization
- Striving for Global Competitiveness, Trade, and Investment
- Building Capacity in High Potential Clusters

By focusing on these priorities, Innovacorp will play an important role in increasing innovation, commercialization, and entrepreneurship success stories in Nova Scotia.

Sincerely,

Rodney F. Burgar
Board Chair, Innovacorp

Mandate

Innovacorp is Nova Scotia's early-stage venture capital organization.

Our mission is to find, fund, and foster innovative Nova Scotia start-ups that strive to change the world. Our vision is that this region will be among the top 10 start-up ecosystems in the world.

Early-stage investment is at the core of our business model. We also give entrepreneurs access to world-class incubation facilities, expert advice, and other support to help them commercialize their technologies, accelerate their companies, and succeed in the global marketplace. We support the start-up community and culture across the province through competitions, programs, and events that foster a vibrant entrepreneurial ecosystem.

Alignment with Government's Priorities

Government priority: Innovation

Government outcome: Nova Scotia has a strong and globally competitive economy and a sustainable government.

Government goal: Create climate for private sector and social enterprise economic growth to support ONE NS economic goals.

Government's Framework for Private Sector Growth (the Framework) is guiding government's actions to create the climate for private sector growth so the ONE NS goals can be achieved. The following are

some of the ways in which Innovacorp supports the priorities of the Framework:

1. Entrepreneurship and Start-ups

Innovacorp's work every day is focused on Nova Scotia start-ups and the entrepreneurs that lead them.

We offer early-stage risk capital, incubation facilities, expert advice, and other support to help entrepreneurs commercialize their technologies, accelerate their companies, and succeed in the global marketplace.

Further, while much of our effort targets our current clients, we also deliver many programs, competitions, and events to encourage entrepreneurship and the creation of new start-ups across the province. Through these efforts, Innovacorp will help:

- Increase the number of high potential, scalable companies that are export focused.
- Increase the amount of private sector investment in high potential start-ups.

2. Support Innovation and Commercialization

As our name suggests, innovation drives our work at Innovacorp. In fact, our mission is to find, fund, and foster innovative Nova Scotia start-ups that strive to change the world.

We know innovation drives new value creation, resulting in economic growth through commercialization.

While Innovacorp’s entire offering supports innovation and commercialization, two programs stand out. Through our Early Stage Commercialization Fund (ESCF), we help move university and community college research to market. Our Productivity and Innovation Voucher Program helps small and medium-sized businesses become more productive and innovative while building stronger linkages between Nova Scotia businesses and our universities and colleges. Through these efforts, Innovacorp will help:

- Commercialize university and community college research.
- Accelerate company growth.

3. Strive for Global Competitiveness, Trade, and Investment

Innovacorp’s clients – early-stage, high potential technology companies – are export-driven. Not only do they intend to sell to the world, they strive to change the world, to attract risk capital from outside the region, and to access the expertise they need from wherever they can find it across the globe. As a result of these efforts, Innovacorp client companies will produce:

- An increase in export revenue.

4. Build Capacity in High Potential Clusters

Innovacorp is focused on helping start-ups in the information technology, life sciences, clean technology, and ocean technology sectors.

In addition to the venture capital, incubation infrastructure, and targeted programs we provide directly, we partner with other organizations and individuals to ensure that our clients get the expertise, capital, and other resources they need to succeed in global markets.

Innovacorp will:

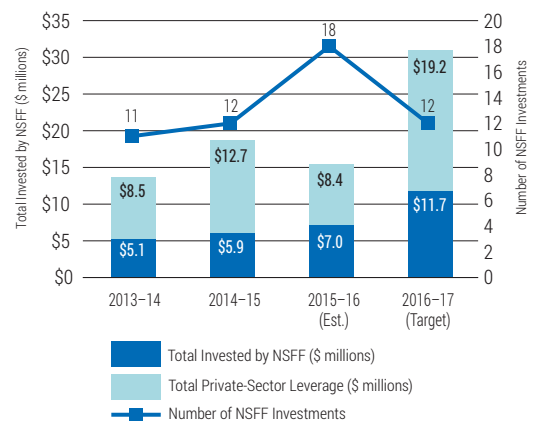
- Partner to develop sector-focused innovation hubs for early-stage companies in high potential industry clusters.
- Partner to create sector-focused funds targeting early-stage companies in high potential industry clusters.
- Deliver sector-specific and entrepreneur-focused initiatives and partnerships.

Actions and Measures

Entrepreneurship and Start-ups

Start-ups need access to venture capital to launch and grow. Innovacorp is Nova Scotia’s early-stage venture capital organization. We manage the Nova Scotia First Fund (NSFF), which targets emerging venture-grade technology companies with high growth potential and attractive risk-return prospects. In 2016–2017, Innovacorp targets making 8–12 investments in Nova Scotia start-ups, deploying \$4–8 million of venture capital.

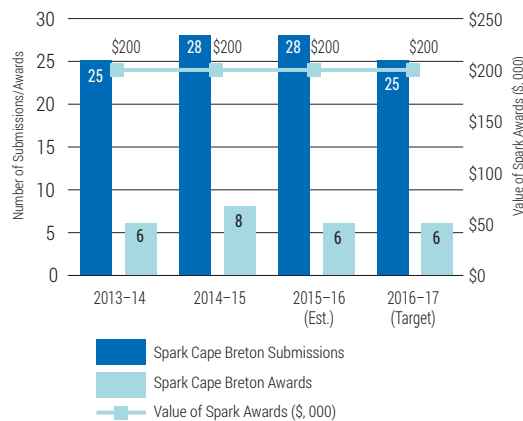
Nova Scotia First Fund Investments



Innovacorp co-invests with institutional, private sector, and angel investors from across Canada and beyond. We aim to leverage our NSFF investments with private sector capital based on a mix of 1:1 leverage in seed¹ investment rounds and 1:2 leverage in Series A² investment rounds.

While venture capital is at the core of Innovacorp’s business model, we also deliver many programs, competitions, and events to encourage entrepreneurship and the creation of new start-ups across the province. For example, through our annual Spark Cape Breton innovation challenge, we look for the best early-stage technology companies in Cape Breton and the Mulgrave area. Winners receive funding and mentoring for the completion of prototypes or preparation to take their product or service to market. In 2016–2017, Innovacorp targets receiving 25 Spark Cape Breton submissions and making six awards totaling \$200,000.

Spark Cape Breton



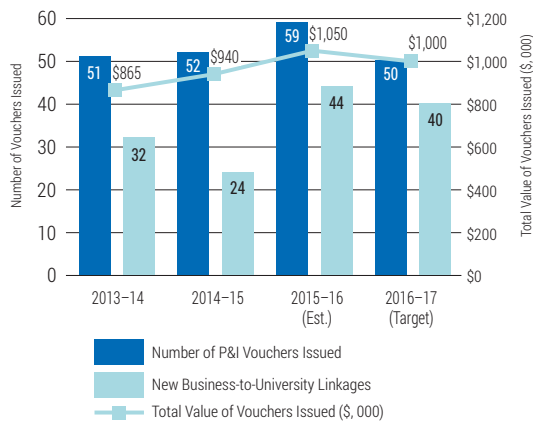
- 1 Seed rounds are early-stage, high-risk investments that typically occur before the company is generating revenue.
- 2 Series A rounds are larger, post-seed investments that typically occur once the company has achieved key milestones and is generating early revenues.

Support Innovation and Commercialization

Nova Scotia’s universities and community colleges are remarkable research and innovation assets. Innovacorp strives to bring post-secondary research and innovation to market as well as to help the private sector connect with and benefit from the expertise and infrastructure at these institutions.

The Productivity and Innovation Voucher Program is an example of Innovacorp’s work in this area. The program is a competition-based opportunity for small and medium-sized businesses to boost their innovation and productivity with expertise and services from the province’s universities and colleges. In 2016–2017, Innovacorp targets issuing 50 vouchers with a total value of \$1 million. This will also result in new linkages between business and Nova Scotia’s universities and colleges.

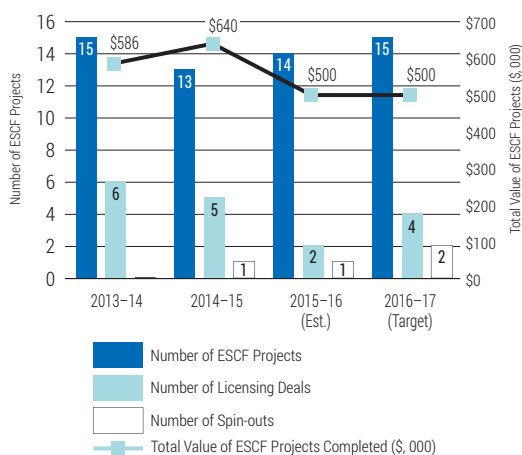
Productivity and Innovation Voucher Program



Innovacorp also runs two cohorts of the Early Stage Commercialization Fund (ESCF) each year. The purpose of ESCF is to provide funding and go-to-market support for university and college research projects that demonstrate potential to advance a

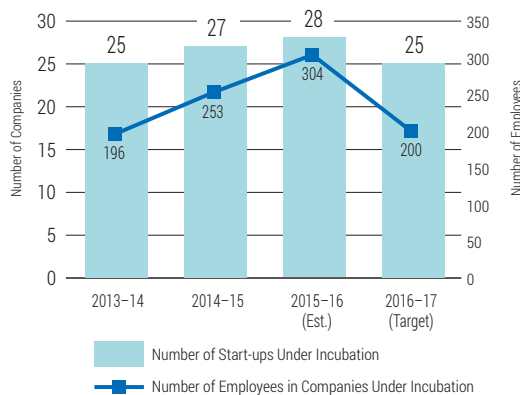
technology to a prototype or proof-of-concept stage and market readiness. In 2016–2017, Innovacorp targets supporting 15 ESCF projects and awarding a total of \$500,000. The impact of ESCF will be measured by the number of licensing deals signed and the number of spin-out companies formed.

Early Stage Commercialization Fund



Innovacorp manages three incubation sites: the Technology Innovation Centre in Dartmouth; the Innovacorp Enterprise Centre in Halifax; and the Innovacorp Demonstration Centre in Brooklyn. The three sites are premier destinations for early-stage technology companies. The facilities offer much more than just space and infrastructure. They offer an environment – a start-up community. They also provide on-site support, flexible leasing, and corporate credibility – things emerging companies need to reduce costs, grow stronger faster, and thereby increase their likelihood of success. In 2016–2017, Innovacorp targets providing incubation infrastructure and resources to 25 high potential Nova Scotia start-ups, which together will employ about 200 people.

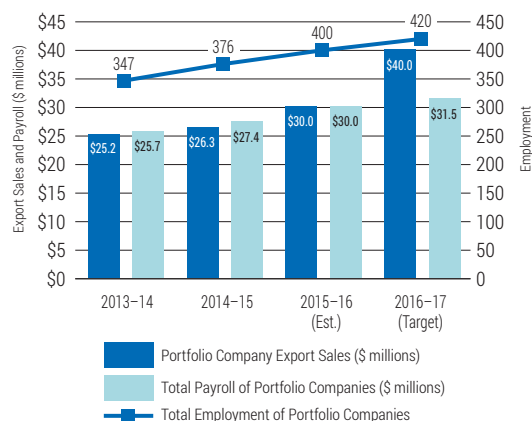
Incubation



Strive for Global Competitiveness, Trade, and Investment

From the companies we invest in, to those residing at our incubation facilities, to those participating in our many programs, competitions, and workshops, the vast majority of start-ups Innovacorp works with are export-driven. In fact, 100 per cent of the revenue-generating companies

Portfolio Company Export Sales, Employment, and Payroll



we invest in are selling their products and services outside Nova Scotia. In 2016–2017, Innovacorp intends to continue to have

100 per cent of its revenue-generating investment portfolio companies exporting outside the province and targets a total of \$40 million in export sales from those companies.

As our portfolio companies grow and achieve export market success, the number of highly skilled jobs and value of company payrolls also increase, resulting in a positive economic impact for Nova Scotia.

Build Capacity in High Potential Clusters

In 2016–2017, Innovacorp will help develop sector-focused innovation hubs that provide infrastructure and resources early-stage companies need to launch and grow. We will also help create sector-focused funds that leverage private capital and federal funding sources so high-potential start-ups in Nova Scotia's promising clusters have the capital they need to be successful.

As Nova Scotia's early-stage venture capital organization, we often encounter emerging companies that are approaching investment readiness but need help reaching that milestone. Innovacorp runs two initiatives to help high-potential clean technology and life sciences start-ups in Nova Scotia move closer to being investment ready. The CleanTech Pre-Investment (CPI) program and the Life Sciences Pre-Investment (LSPI) program offer companies up to \$50,000 in non-repayable and non-dilutive³ funding to address investment-readiness gaps. Eligible companies must secure matching funds from other sources. In 2016–2017, Innovacorp targets supporting five start-ups under each of the CPI and LSPI programs.

Innovacorp works with start-ups in a variety of technology sectors, and we build partnerships to enhance what we offer so our clients get the expertise, capital, and other resources they need to succeed in global markets. For example, we established a partnership with Bioenterprise Corporation, a Guelph-based business accelerator, to help commercialize Nova Scotia agricultural technologies. In 2016–2017, Innovacorp targets helping advance 10 start-ups through our partnership with Bioenterprise.

³ Non-dilutive sources of funding do not require the company to issue equity to the funder.

Financial Summary

Innovacorp is committed to achieving its financial targets. To this end, the organization works with the Province of Nova Scotia through the Department of Business to strategically leverage its assets in support of Government's Framework for Private Sector Growth.

	Estimate 2015–16 (\$)	Forecast 2015–16 (\$)	Estimate 2016–17 (\$)
Revenues			
Provincial funding	9,650,000	10,390,000	9,552,000
Funding recognized re capital assets acquired	118,000	118,000	115,000
Incubation	1,166,000	2,456,000	1,467,000
Investment	42,000	42,000	42,000
Total	10,976,000	13,006,000	11,176,000
Expenses			
Incubation	5,832,000	7,862,000	5,572,000
Investment	2,765,000	2,765,000	2,709,000
Corporate services	1,555,000	1,555,000	1,978,000
Total	10,152,000	12,182,000	10,259,000
EBITDA*			
Provincial funding	9,650,000	10,390,000	9,552,000
Funding recognized re capital assets acquired	118,000	118,000	115,000
Incubation	(4,666,000)	(5,406,000)	(4,105,000)
Investment	(2,723,000)	(2,723,000)	(2,667,000)
Corporate services	(1,555,000)	(1,555,000)	(1,978,000)
Total	824,000	824,000	917,000
Non-operating items			
NSFF total return	(218,000)	(1,778,000)	(343,000)
Post-retirement benefits and long-service award	(142,000)	(142,000)	(116,000)
Amortization	(368,000)	(368,000)	(377,000)
Interest Income (expense), dividends, and capital gains (losses)	(237,000)	(237,000)	(222,000)
Total	(965,000)	(2,525,000)	(1,058,000)
Deficit	(141,000)	(1,701,000)	(141,000)