

NOVA SCOTIA BUSINESS INC.

Business Plan

2018-2019

MESSAGE FROM THE BOARD CHAIR AND THE CEO

Nova Scotia Business Inc. (NSBI), a private sector-led Crown Corporation, is a lead business development agency for the Province of Nova Scotia.

In support of the provincial mandate to create inclusive economic growth through export, NSBI attracts innovative, globally competitive companies to establish a business location in Nova Scotia, and works with Nova Scotia businesses to build export capacity through delivery of business advisory services, skills development and training, trade intelligence, and market diversification programs and services.

2017-2018 was a year of shifting waters in international trade. The introduction of protectionist policies from the current US administration, renegotiation of the North American Free Trade Agreement (NAFTA), and the imposition of tariffs on softwood lumber and newsprint have highlighted the need for Nova Scotia businesses to strengthen their footholds on the ground in the US and prioritize export market diversification efforts. The Comprehensive Economic and Trade Agreement (CETA) with the European Union, and the emerging Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) provide new export pathways for Nova Scotia companies. NSBI is responding with programming and services to ensure our exporters are prepared to take full advantage of the opportunities presented with these new trading relationships.

In 2018-2019, NSBI will build on the valuable insight gained from our clients and look for new and better ways to support companies at all stages of the export continuum. Market diversification will be a key focus, as we build upon the launch of the Cambridge Scale-Up Hub and explore replicating this model in another key market of interest, bringing Nova Scotia companies to the world and supporting them on the ground as they build networks and grow exports. For companies further along the export continuum, NSBI will work with partners to create an Export Accelerator model to help high-potential firms in the province grow and scale, enhance their export ambition, and improve their global success.

NSBI stands behind the province's innovation agenda by attracting anchor companies to the province's innovation ecosystem and supporting Nova Scotia businesses on their path to improved productivity. The past year has seen NSBI implement new programs aimed at driving research & development and innovation. We look forward to our second year delivering the Productivity and Innovation Voucher Program and the introduction of the Innovation Rebate Program to ensure businesses have the connections and financing required to strengthen global competitiveness.

The federal government and private sector's co-investment in the Ocean Supercluster in Atlantic Canada, announced on February 15, 2018, positions us to become a global leader in the knowledge-based ocean economy. The Ocean Supercluster will foster new partnerships between industry, post-secondary education institutions, government, and other partners to accelerate innovation and commercialization and to drive sustainable economic growth from our oceans. NSBI will help companies take full advantage of the Ocean Supercluster effort and showcase the opportunity to global oceans players, with a particular focus on the promotion of facilities such as the Centre for Oceans Ventures and Entrepreneurship (COVE).

Through our daily interaction with companies across the province, we will listen for the obstacles and challenges standing in the way of their growth and bring these concerns to the table to inform policy, program and service development. Inclusive economic growth will guide our efforts as we review and improve NSBI's tools, programs, and services to better encourage the hiring of under-represented populations, ensuring that all Nova Scotians benefit from our efforts and those of our clients. To achieve the export and investment outcomes necessary to grow our economy, 2018-2019 will see NSBI deliver programming and services rooted in evidence that support our businesses as they build export capacity and innovate to keep pace with the constant change in global markets.



BERT FRIZZELL
Board Chair



LAUREL BROTEN
President and CEO

MANDATE

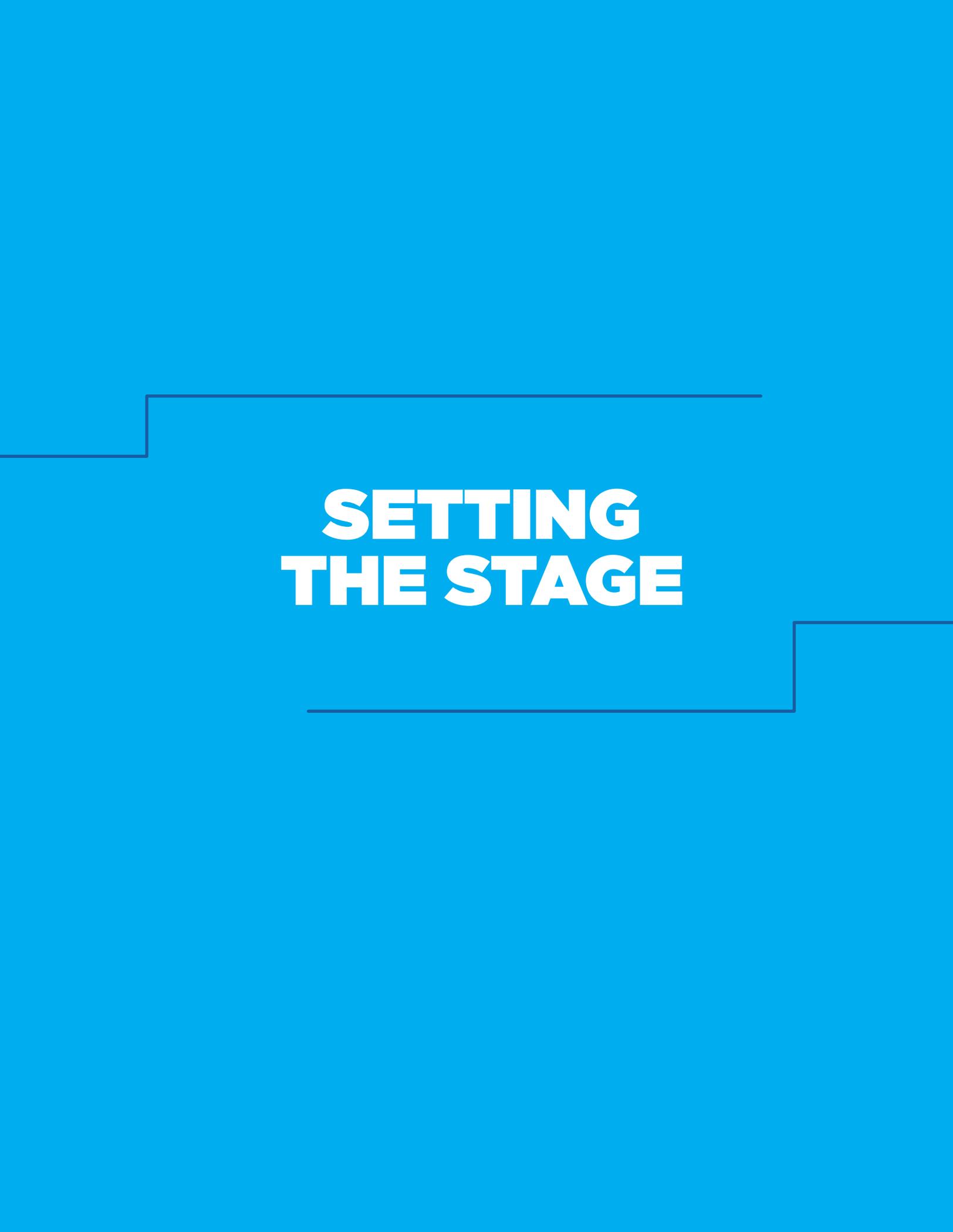
Led by a private sector Board of Directors, NSBI's mandate is to help Nova Scotia businesses across the province grow exports through access to business advisory services, skill development and training to build export capacity, market intelligence, financing, and support in accessing global markets, with a focus on developing new exporters and attracting innovative, globally competitive companies to Nova Scotia.

MISSION

Nova Scotia Business Inc. drives economic momentum in Nova Scotia through attracting and expanding investment and developing businesses in all communities to be more successful exporters.

VISION

A strong, thriving, and globally competitive Nova Scotia today and for generations to come.



SETTING THE STAGE

TRADE

The Nova Scotia Commission on Building Our New Economy's historic report (oneNS Report) emphasized the role export must play in Nova Scotia's future economic prosperity. The oneNS Report identified bold targets of increasing the value of Nova Scotia exports and the number of Nova Scotia companies participating in export by 50% by 2024. The \$20 million Atlantic Trade and Investment Growth Strategy (ATIGS), a pan-Atlantic collaboration between the Government of Canada and the four Atlantic provinces signed in 2017, brought forward new goals to double the number of exporting enterprises from Atlantic Canada from 1,700 to 3,400 by 2025.



*Chained 2007 Dollars are used to be consistent with the measurement approach adopted to track Nova Scotia's progress towards the oneNS Report's value of exports goal (Goal 5). Source: Statistics Canada, CANSIM table 384-0038

NUMBER OF NOVA SCOTIA ESTABLISHMENTS PARTICIPATING IN INTERATIONAL MERCHANDISE EXPORTS



Source: Statistics Canada, CANSIM table 228-0077

If Nova Scotia is to gain momentum toward attaining the goals within the oneNS Report and the Atlantic Trade and Investment Growth Strategy, businesses must increasingly look to export as the pathway to growth. NSBI will continue working with exporters at all stages of development to improve productivity, make capital investments aimed at driving innovation, and build capacity to enter and expand into targeted export markets, with particular focus on companies that are demonstrating growth in their sales outside the province.

the current US administration, renegotiation of NAFTA, and the imposition of tariffs on softwood lumber and newsprint highlight the need for Nova Scotia businesses to look to new export opportunities, such as those created by the Comprehensive Economic and Trade Agreement (CETA) with the European Union and the emerging Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). NSBI will ensure that Nova Scotia businesses are ready, willing and able to take advantage of the international opportunities associated with current and emerging trade agreements.

Although sectors such as seafood have expanded their reach into key Asian markets, Nova Scotia remains dependent on the United States as an export market, with the US representing 68%¹ of the province's export sales in 2016. While Nova Scotia and the United States have benefitted from decades of positive trade relations, current uncertainty with regards to the future of the North American Free Trade Agreement (NAFTA) has given rise to a need for proactive market diversification efforts. The introduction of protectionist policies from

¹Trade Data Online, January 23, 2018

FOREIGN DIRECT INVESTMENT

Foreign direct investment (FDI), which encompasses new investments into Nova Scotia from companies elsewhere in Canada and abroad, continues to play an important role in economic growth. From 2011 to 2016, \$1.9 billion in Greenfield FDI projects took root in Atlantic Canada .

The Conference Board of Canada's Strengthening Symbiosis: International Business and Innovation report emphasized the link between international business and innovation, and concluded that innovative firms must be introduced to global markets in order to succeed. Attracting new, mature, multinational exporting firms into Nova Scotia contributes to the province's economic growth and innovation landscape - boosting the province's export sales and enabling domestic companies to enter global markets through partnerships and relationships with these businesses that have established international footprints.

NSBI will continue to promote Nova Scotia's unique assets - our highly skilled and educated workforce, our ports and gateway, time zone advantages, reliable infrastructure, a competitive business operating cost model, and proximity to global markets - to attract companies that will benefit from a Nova Scotia location and contribute to economic growth and the innovation agenda in our province.



NSBI'S ROLE AND RESPONSE



EXPORT DEVELOPMENT

In 2018-2019, NSBI will look for new and better ways to continue supporting export curious, new exporters, and experienced exporters.

The \$20 million Atlantic Trade and Investment Growth Strategy enables Nova Scotia to join federal and provincial partners to pave the way for companies in pursuit of international export growth by ensuring they are prepared and making the connections they need to be successful on the global stage. In recognition of potential shifts in the international trade agreement landscape, we will work with our ATIGS partners to implement market entry, expansion and diversification plans for China, the European Union, and the United States. NSBI will ensure that Nova Scotia businesses are ready, willing and able to take advantage of emerging trade agreements such as the CPTPP, as well as opportunities within the growing Association of Southeast Asian Nations (ASEAN) market.

Market diversification will be a key focus as we build upon the launch of the Cambridge Scale-Up Hub and explore replicating this model in another key market of interest, bringing Nova Scotia companies to the world and supporting them on the ground as they build networks and grow exports. For companies further along the export continuum, NSBI will work with partners to create an Export Accelerator model to help high-potential firms in the province grow and scale, enhance their export ambition, and improve their global success.

Our Export Capacity Building team will work side by side with businesses and partners to deliver training and resources tailored to each company's needs, while the Small Business Development Program will enable our clients to hire the expertise they need to build the capacity to export and grow. NSBI will develop improved, timely, online export resources to enable Nova Scotia businesses to access the information they need when they need it. Our Export Growth Program will support the cost of in-market travel for businesses, and our Trade Market Intelligence service and Global Advisors Program will help companies make educated export market decisions and international business connections to maximize their time spent in market.

²Atlantic Growth Strategy, 2017

INVESTMENT ATTRACTION

2017-2018 saw NSBI design and implement a renewed data mining methodology to identify and signal when companies are looking to expand into a new jurisdiction.

NSBI will continue with evidence-based lead generation to identify innovative, exporting companies within knowledge-based industries that would benefit from a Nova Scotia location. We will revise and tailor our value proposition materials and content to resonate with key industries such as ICT, Financial Services, Oceans, and Advanced Manufacturing, and address the intelligence needs of other critical FDI audiences, such as Site Selectors. Market diversification in Japan, as well as other ASEAN countries, will be a focus for NSBI's investment attraction efforts as a result of the CPTPP.

NSBI will promote the Digital Media Tax Credit and will implement our project management framework to help digital media and animation companies settle and grow from Nova Scotia. We will work with our private and public sector partners

to make the connections these companies need to seamlessly and efficiently establish roots in Nova Scotia and capitalize on our highly-skilled and creative talent pool, which is constantly being replenished by top-notch graduates from our leading post-secondary education institutions.

NSBI will work with the federal and neighboring provincial governments through the \$20 million Atlantic Trade and Investment Growth Strategy to improve investment readiness across the province so that all communities can achieve greater benefits from our economic growth. We will continue to be a strong supporter and partner to officially open the doors at the Centre for Oceans Ventures & Entrepreneurship (COVE), where high quality marine infrastructure, unparalleled access to the ocean, and collaborative space will provide the venue for ocean industries to connect, innovate and prosper.

NSBI will work with partners to create collaborative business communities and networks, support young entrepreneurs and innovators through their export journey, and attract and grow businesses here in the province that are committed to creating inclusive employment and economic growth by recognizing the value that under-represented groups contribute to their workforce development strategies. Our investment attraction transactions will provide a positive return to the province, and our tools will be reviewed and improved to better encourage inclusive economic growth and the hiring of under-represented populations, ensuring that all Nova Scotians benefit from our efforts and those of our clients.

STRENGTHENING NOVA SCOTIA BUSINESSES

NSBI's Regional Business Development team lives and works across the province, serving as the critical first point of contact for businesses in all communities. Our Regional Team is the gateway to our programs, services, and partner network, connecting with over 700 unique companies last year to deliver business advisory and navigation services. NSBI will continue proactively connecting with businesses across the province that can benefit from our suite of services and the offerings of our partners, ensuring that businesses have the resources and support required to innovate, increase export capacity, and grow from Nova Scotia. Through our daily interaction with businesses, we will listen for the obstacles and challenges standing in the way of their growth and we will bring these concerns to the table to inform policy, program and service development.

NSBI will continue to stand behind the province's innovation agenda and build upon programs and services introduced in 2017-2018 to support the capital investment and productivity-enhancing needs of Nova Scotia's business community. 2017-2018 was the first year for NSBI's delivery of the Productivity & Innovation Voucher Program. We look forward to offering the program in 2018-2019 to create deeper research and development ties between businesses and Nova Scotia's universities and colleges. The Innovation Rebate Program, a new 5-year pilot program introduced in 2017-2018, will support Nova Scotia firms through the capital investments required to improve global competitiveness and gain market share. NSBI will deliver this program to companies looking to make investments in production capacity to enter new markets and/or produce new products.

The federal government and private sector's co-investment in the Ocean Supercluster in Atlantic Canada, announced on February 15, 2018, positions us to become a global leader in the knowledge-based ocean economy. The Ocean Supercluster will foster new partnerships between industry, post-secondary education institutions, government, and other partners to accelerate innovation and commercialization and to drive sustainable economic growth from our oceans. NSBI will support our companies to take full advantage of the Ocean Supercluster effort and showcase the opportunity to global oceans players.

In recognition of the importance of productivity to innovation and export success, NSBI is continuing its collaboration with the Atlantic Canada Opportunities Agency (ACOA), Canadian Manufacturers and Exporters (CME), and the Department of Labour and Advanced Education to deliver a productivity training program to 32 SMEs in Nova Scotia's manufacturing sector. Participating companies will learn how to implement sustainable LEAN manufacturing methods, leading to significant productivity and quality gains and increasing efficiency, which is critical for Nova Scotia companies to remain competitive in the global marketplace.

MARKETING & PARTNERSHIP DEVELOPMENT

The oneNS Coalition's "We Choose Now" playbook emphasized the cultural change needed across the province to support growth through export. NSBI recognizes and embraces the role we play in promoting an export-first business culture as the path to sustainably growing Nova Scotia's economy. NSBI will contribute to the export message here at home by sharing the stories of our companies as they sell to the world. We will bring the world home to Nova Scotia by sharing our own experiences and those of our clients. We will highlight the successes but also the lessons learned, both of which are necessary as the foundation for an export-first business culture.

As our relationship with the United States evolves, NSBI will focus our partnership initiatives to support the market diversification efforts of our clients. We will build awareness of Nova Scotia and our high potential sectors in key markets like the EU and China, and continue to build relationships to assist our companies as they forge the path to new markets for growth.

FILM AND TELEVISION PRODUCTION SUPPORT

2017-2018 was a record year for transactions within the Nova Scotia Film & TV Production Incentive Fund and we look to continue this momentum into 2018-2019. NSBI has put considerable focus and effort into increasing transparency throughout the fund administration process, so that producers can have a greater level of confidence. As NSBI enters our third year of engagement with the film and television production industry, we will continue to administer the Nova Scotia Film & TV Production Incentive Fund and the Eastlink TV Independent Production Fund Program in a client-centric, timely and effective manner. We look forward to continuing to build our relationships in this creative sector as we partner to highlight the stories of productions that are made here in our province.

PORTFOLIO MANAGEMENT

NSBI is the agency responsible for the management and administration of the NS Business Fund and the province's legacy Jobs Fund investment portfolio. We will continue to work with clients, ensuring service excellence while navigating complex financial circumstances on behalf of the Province of Nova Scotia. NSBI will also manage our real estate assets to maximum benefit, and continue our support of the Nova Scotia Credit Union Small Business Loan Guarantee Program to provide funding to businesses from across the province.

PERFORMANCE MEASURES

MEASURES	2018 - 2019 TARGETS
1. ANNUAL INCREASE IN NSBI CLIENT REPORTED EXPORT SALES	15% increase in the actual export sales of NSBI's clients overall, and by clients within high potential clusters (ICT, Oceans, and Seafood & Agri-food)
2. NUMBER OF NSBI CLIENTS BECOMING NEW EXPORTERS	A minimum of 15 NSBI clients become new exporters, with a minimum of 10 clients within high potential clusters (ICT, Oceans, and Seafood & Agri-food) becoming new exporter
3. ACTUAL PAYROLL GENERATED BY NSBI CLIENTS	15% increase in the actual payroll generated by NSBI clients overall, and by clients within high potential clusters (ICT, Oceans, and Seafood & Agri-food)
4. RETURN ON INVESTMENT (ROI) OF PAYROLL REBATE TRANSACTIONS	Achieve an average ROI to the province of 40% on payroll rebate transactions
5. LINKAGES BETWEEN BUSINESS AND NOVA SCOTIA'S UNIVERSITIES AND COLLEGES	NSBI will issue 50 Productivity and Innovation Vouchers with a total value of \$1 million to create stronger ties between businesses and Nova Scotia's universities and colleges
6. DIVERSIFICATION OF EXPORT MARKETS	A minimum of 10% of NSBI clients diversify markets through exporting to an additional country

BUDGET CONTEXT

	BUDGET 2017-18 (\$000)	FORECAST 2017-18 (\$000)	ESTIMATE 2018-19 (\$000)
REVENUE			
PROVINCIAL GRANTS	55,259	52,855	59,474
GAIN ON SALE OF PROPERTIES	0	466	0
NS BUSINESS FUND: LOANS & EQUITY, PLUS PROPERTIES	2,026	725	1,640
MISCELLANEOUS REVENUE	529	2,130	999
TOTAL	57,813	56,176	62,113
EXPENSES			
OPERATING	16,832	17,651	17,876
STRATEGIC INVESTMENTS	15,107	12,807	16,597
NS FILM & TV PRODUCTION INCENTIVE FUND	22,849	22,745	20,000
INNOVATION REBATE PROGRAM	0	0	5,000
PROVISION FOR CREDIT LOSSES	1,000	5,025	1,000
NS BUSINESS FUND: LOANS & EQUITY, PLUS PROPERTIES	1,358	(130)	832
TOTAL	57,146	58,099	61,305
SURPLUS (DEFICIT)	667	(1,923)	808

APPENDIX ONE

STRATEGIC INVESTMENT FUNDS PURSUANT TO NSBI REGULATIONS POLICIES AND GUIDELINES/PROCEDURES, NSBI 2018-19 BUSINESS PLAN

PAYROLL REBATE PROGRAM (THE “PROGRAM”)

<p>OVERVIEW</p>	<p>A payroll rebate is a discretionary, non-entitlement business development incentive (the “incentive”) intended to promote targeted payroll generation through the creation of incremental employment.</p> <p>This incentive may be used when it can be shown that a company’s project generates an economic benefit to the province, which may include export development, investment in the province, or improved competitiveness of existing businesses, in one or more of the province’s key economic sectors.</p>
<p>AMOUNT</p>	<p>Rebates will be equivalent to between 5% and 10% of gross payroll, depending on the company’s strategic location in Nova Scotia or business sector and the economic benefit generated to the province. Additional rebate may be considered where the company is hiring individuals with specific skills or experience, new members of the Nova Scotia workforce, is increasing export activity, undertaking a capital project deemed strategic to their Nova Scotia region, or establishing or expanding its presence in rural Nova Scotia.</p> <p>All other Nova Scotia provincial government assistance with respect to the project must be disclosed to NSBI and may influence the rebate amount.</p>

<p>ELIGIBILITY</p>	<p>The company's business must be considered eligible according to NSBI's operating regulations.</p> <p>The incentive must be project-based. Projects are expected to create sustainable long-term employment. Cyclical peaks in employment will not be considered for assistance.</p> <p>Eligibility requires that all projects should result in creation of jobs for at least 20 full time equivalents (FTEs) in Nova Scotia. Projects creating fewer than 20 FTEs will be considered when there is high strategic value or strong economic benefit.</p> <p>Companies that have previously received under the Program will not be eligible for additional incentive unless the project is incremental to the peak FTE level attained by the company under the previously provided incentive.</p> <p>Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered.</p> <p>The company will collect and remit employee payroll taxes in accordance with the Income Tax Act (Canada).</p>
<p>APPLICATION REQUIREMENTS</p>	<p>Historical and/or projected financial statements of the company and any additional financial information that may be required by NSBI to assess the financial viability of the company. Acceptable reports providing information with respect to the company's ownership, management, products, markets, and suppliers sufficient for NSBI to complete an evaluation of the company's operating risk.</p> <p>Project plan, which may include project timelines, budgets, and anticipated impacts of the project on the company's competitiveness.</p>
<p>CRITERIA</p>	<p>The company and the project must have reasonable prospects (business plan) for continued growth and success. The company should be profitable, with a proven track record. In addition, the project should be export oriented and/or be in a strategic economic sector.</p> <ul style="list-style-type: none"> • The company must also demonstrate: • strong management (corporate and local) • compliance with Environment Act, Occupational Health and Safety and Labour Standards Code (if already established in Nova Scotia) • economic benefit to the province (e.g., estimated number of FTEs created/retained, linkages with other sectors, improved competitiveness, non-competition with Nova Scotia industries, import substitution) • financial stability

<p>APPLICATION REQUIREMENTS</p>	<p>Historical and/or projected financial statements of the company and any additional financial information that may be required by NSBI to assess the financial viability of the company.</p> <p>Acceptable reports providing information with respect to the company's ownership, management, products, markets, and suppliers sufficient for NSBI to complete an evaluation of the company's operating risk.</p> <p>Project plan, which may include project timelines, budgets, and anticipated impacts of the project on the company's competitiveness</p>
<p>PERFORMANCE CONDITIONS</p>	<p>The incentive is contingent on specific targets the company must achieve, which will typically be the creation of (x) FTEs by a specific date and with an average annual salary/wage of a specific amount. These targets are expected to still be in place at the end of the rebate period.</p> <p>Companies may be required to achieve additional targets with respect to capital project completion, including investment or export targets, if applicable.</p> <p>The company must provide an audited report certifying that the employment, wage and other targets have been achieved. The report must contain the following information:</p> <p>Incremental gross wage or payroll amount (including benefits) and the number of incremental and/or maintained employees and hours worked according to the Company's records on each anniversary date from the project commencement;</p> <p>Gross wage or payroll amount, including benefits, and the total number of FTEs of the company on each anniversary date from the project commencement;</p> <p>Incremental employees province of residence; and</p> <p>Applicable export, investment and project details.</p>
<p>PAYMENT TERMS</p>	<p>Rebates will be paid following provision by the company of all information required by NSBI to verify compliance with the terms and conditions of the payroll rebate agreement.</p> <p>In most cases, rebates will be paid annually on each anniversary from the project commencement.</p> <p>Payment term generally averages five years.</p>

APPENDIX TWO

The **Nova Scotia Business Fund** is the historic source of capital for Nova Scotia Business Inc.'s business lending activities. The Nova Scotia Business Fund has not issued any new business development incentives since the 2014-2015 fiscal year.

The portfolio currently has approximately \$59.6 million outstanding to more than 37 companies located throughout the province. Net new capital needed for Nova Scotia Business Inc. to continue to meet the financing needs of current clients is estimated to be \$200,000, with repayments of current outstanding investments estimated to be about \$4.5 million.

Regulations for the Nova Scotia Business Fund require determination of specific parameters for investment decisions and the profile of the portfolio on an annual basis.

The following outlines the parameters for investment decisions for the Nova Scotia Business Fund, should new business development incentives be issued:

- Annual sector investment targets:
 - Traditional: **16%**
 - Knowledge-based (ICT and Life Sciences): **20%**
 - Manufacturing: **45%**
 - Energy: **9%**
 - Ocean technology: **5%**
 - Other: **5%**
- **\$15 million maximum per company** (investments exceeding this amount will be considered in exceptional circumstances).
- Maximum of **20% of the Nova Scotia Business Fund** available for working capital investments.
- Borrowing rates established **based on risk, term, and optionality** (e.g., interest capitalization, principal holiday, extended amortization).