

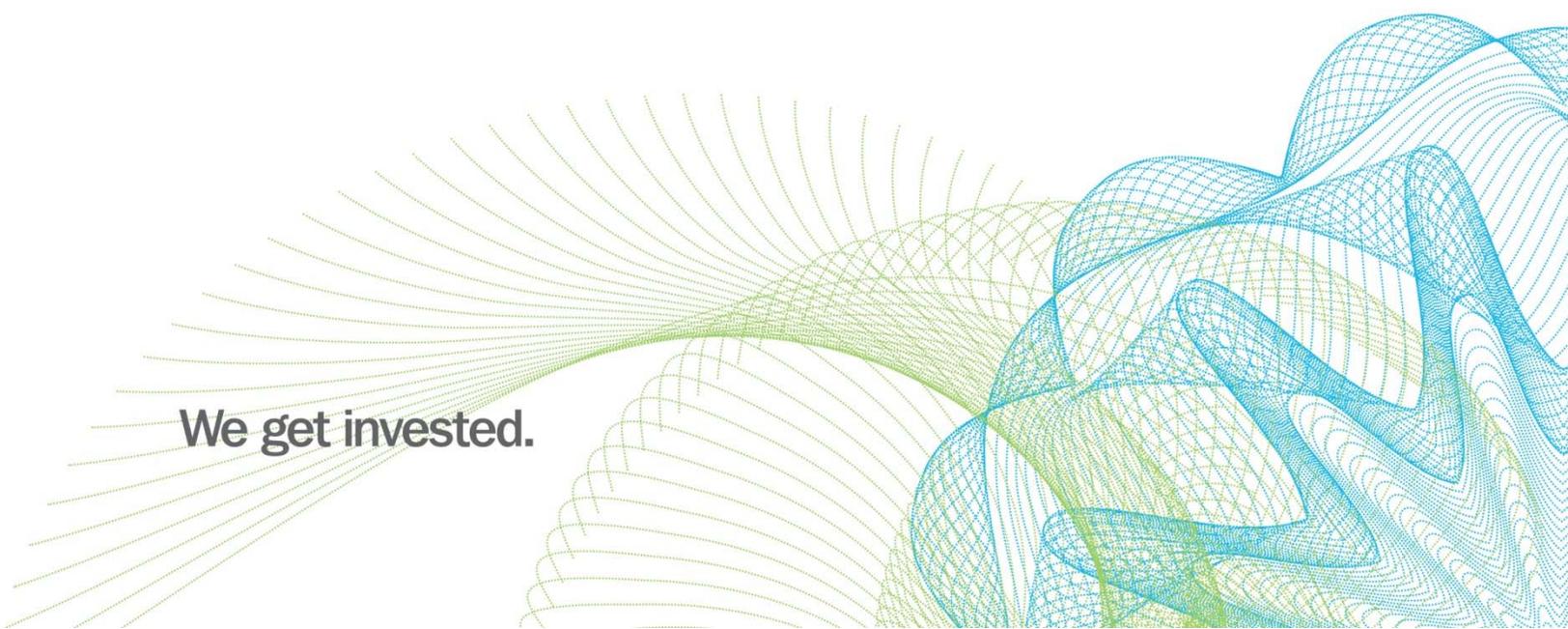
BUSINESS PLAN

2020-2021

innovacorp

EARLY STAGE VENTURE CAPITAL

We get invested.



Message from the Board Chair

High-growth start-ups have an outsized positive impact on the economy. At Innovacorp, we play a vital role in the creation and growth of Nova Scotia start-ups.

The start-ups we work with move Nova Scotia closer to realizing the ONE Nova Scotia Coalition's vision for a more prosperous province, particularly the goals related to venture capital investment per capita, number of new start-ups, value of exports, international immigration, retention of international students, and R&D partnerships in the private sector.

How we contribute to Nova Scotia's start-up ecosystem and support companies is outlined in our 2020-2021 business plan. Our overarching goal is to enable the creation of great start-ups that succeed in the global marketplace.

Sincerely,



Rodney F. Burgar
Board Chair, Innovacorp

About Innovacorp

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

Our vision is that this region will be among the top 10 start-up ecosystems in the world.

Our mission is to find, fund and foster innovative Nova Scotia start-ups that strive to change the world.

FIND

Through our *find* activities, we seek to uncover, encourage and assist promising new technology-focused entrepreneurs from across Nova Scotia. We also hunt for research with commercial potential at our universities and colleges and attract immigrant entrepreneurs.

FUND

Early stage investment is at the core of our business model. For Innovacorp, *fund* refers to the equity investments we make through our **Nova Scotia First Fund**. Venture capital-backed start-ups typically have



a greater economic impact than their non-backed peers, demonstrating stronger growth in revenue, employment and assets. Innovacorp, however, is ultimately driven by generating financial returns on its fund, and we leverage our deals with other venture capital and angel co-investors, attracting new capital and expertise for the region.

FOSTER

Our *foster* work happens at a variety of stages during a start-up's lifecycle. At the earliest stages, for example, our support sometimes comes in the form of info-rich workshops on business fundamentals for winners in our start-up competitions. For more advanced start-ups, we offer acceleration programs to help them become investment ready. Our incubation facility residents benefit from infrastructure, onsite services, and a supportive entrepreneurial environment, unlike what they would find in the commercial real estate market. Our portfolio companies benefit from tailored services that address their individual operational, technical and strategic needs.

Planning Context

Innovacorp plays a foundational role in Nova Scotia's start-up ecosystem, which includes many other organizations and assets to support existing companies and encourage the creation of new ones. Collectively, we're advancing innovation-driven enterprises in Nova Scotia – the engine of our economic growth. Research shows that, while making up a small percentage of all companies, high-growth innovation-driven enterprises have a disproportionate positive impact on job and wealth creation.

The Province of Nova Scotia's goal for inclusive economic growth and the ONE Nova Scotia Coalition's targets guide Innovacorp's efforts. Specifically, Innovacorp's work helps companies commercialize their technologies, accelerate their growth and succeed in the global marketplace. The result is increased start-up activity, which then positively impacts strategic sector growth, export growth, population growth, economic participation and benefit, and employment attachment. Further, Innovacorp contributes towards the ONE Nova Scotia goals of boosting R&D partnerships in the private sector, the creation of new business start-ups, value of exports, international immigration, retention of international students, and venture capital per capita.

According to the most recent *Entrevestor* study, the number of start-ups in Atlantic Canada and their funding level reached a new high in 2018.

Entrevestor found 550 high-growth, innovation-driven companies in the region in late 2018, 290 of which were based in Nova Scotia. Over the past six years, the number of Atlantic Canadian start-ups increased about 15 per cent annually. *Entrevestor*'s analysis also indicates company quality has improved in all areas, with revenues, as a weighted average, growing at 75 per cent each year.

Further, in 2018 Atlantic Canadian start-ups raised \$166.6 million from founders, friends and family, angels, venture capital funds and strategic investors, in addition to more than \$24 million on stock markets. About 5,500 people worked directly for the companies at the end of the year, up 22 per cent from a year earlier.

There is more risk capital available for start-ups thanks to the creation of Concrete Ventures and the funding of Build Ventures II, along with the boost in angel funding through Creative Destruction Lab (CDL).

Acceleration and incubation resources are also plentiful through the growth of Volta, CDL and Ignite, and revitalization of Propel. The Ocean Supercluster, the Ocean Frontier Institute and COVE (Centre for Ocean Ventures & Entrepreneurship) are giving us a global competitive advantage in the ocean technology sector. Further, the region is seeing more diversity at start-ups, including more companies headed by women and immigrant entrepreneurs, along with new initiatives (e.g., funds, competitions) that drive such diversity.

All this growth and activity lets Innovacorp focus on what will have the most relevant impact on the overall ecosystem and economy – the development of more high-growth start-ups in our region.

Innovacorp 2020-2021 Goals, Activities and Performance Indicators

Innovacorp plays a foundational role in Nova Scotia's start-up ecosystem through our investment, incubation, and acceleration activities. Specific activities for the year ahead include:

INVESTMENT

- Make **venture capital investments** in early stage Nova Scotia technology companies with high-growth potential and attractive risk-return prospects.
Measures: number of Innovacorp investments; amount invested by Innovacorp
- **Leverage Innovacorp's investments** through co-investors, with an emphasis on venture capital partners from outside Nova Scotia.
Measures: amount raised by portfolio companies
- **Generate a return** for Nova Scotia on Innovacorp's venture capital investments.
Measures: TVPI ratio (total value to paid-in capital)

INCUBATION

- Provide **incubation infrastructure and services** through our sites on the Dalhousie University campus, in Woodside and at COVE.
Measures: occupancy rate at facilities

ACCELERATION

- Find and support high-potential new technology companies and encourage entrepreneurial activity across Nova Scotia, primarily through **start-up competitions, initiatives to help move post-secondary research to market, and our Start-Up Visa Program.**
Measures: number of new early stage opportunities in Innovacorp's client pipeline
- Deliver **acceleration programs and expert guidance** for start-ups approaching investment readiness, providing access to world-class expert advice, workshops, incubation facilities and services, financial support and other resources.
Measures: number of client companies raising angel investment

- Enhance our **services and support** (i.e., **venture services**) for our **highest potential portfolio companies**, addressing their individual operational, technical and strategic needs.
Measures: number of portfolio companies raising Series A

STRATEGIC INITIATIVES

- Work collectively with private and public organizations to build a world-class ecosystem for ocean technology start-ups; increase the capital, expertise and other resources available for start-ups; attract high-growth technology companies to the province; enhance the business climate for start-ups and investors; and help make the start-up community more inclusive of all Nova Scotians, particularly for indigenous people and African Nova Scotians.

Performance Indicators 2020-2021

Below are the performance targets for Innovacorp's 2020-2021 work outlined above.

Performance Indicators	2020-2021
number of Innovacorp investments	10
amount invested by Innovacorp	\$4 million
amount raised by portfolio companies	\$40 million
TVPI ratio (total value to paid-in capital)	1.2
occupancy rate at facilities (The Labs and The Bays at Innovacorp)	85%
number of new early stage opportunities in Innovacorp's client pipeline	180
number of client companies that raise angel investment	10
number of portfolio companies that raise Series A investment	2

Budget Context

Innovacorp is committed to achieving its financial targets. To this end, the organization works with the Province of Nova Scotia and partner agencies to strategically leverage its assets in support of innovation and economic development initiatives.

	Estimate 2019-2020 (\$)	Forecast 2019-2020 (\$)	Estimate 2020-2021 (\$)
Revenue			
Provincial funding	9,660,000	9,660,000	9,726,000
Incubation	1,036,000	1,036,000	1,092,000
Acceleration	847,000	847,000	1,039,000
Corporate Services	163,000	163,000	188,000
	11,706,000	11,706,000	12,045,000
Expenses			
Incubation	2,977,000	2,977,000	3,074,000
Investment	1,142,000	1,142,000	1,142,000
Acceleration	4,508,000	4,508,000	4,487,000
Corporate Services	2,720,000	2,720,000	2,983,000
	11,347,000	11,347,000	11,686,000
Surplus before non-operating items	359,000	359,000	359,000
Other income (expense)			
Impairment on investments and loans receivable	(500,000)	(540,000)	(500,000)
Surplus (deficit)	(141,000)	(181,000)	(141,000)

Revenue

Provincial funding 2020-2021 estimate is \$66,000 higher than the 2019-2020 estimate primarily due to new funding for salary increases.

Incubation 2020-2021 estimate is \$56,000 higher than the 2019-2020 estimate primarily due to an increase in client revenue at the facilities.

Acceleration 2020-2021 estimate is \$192,000 higher than the 2019-2020 estimate primarily due to funding of activities in Sydney.

Corporate Services 2020-2021 estimate is \$25,000 higher than the 2019-2020 estimate primarily due to expected earned dividends and interest.

Expenses

Incubation 2020-2021 estimate is \$97,000 higher than the 2019-2020 estimate primarily due to an increase in operational costs at The Labs at Innovacorp.

Acceleration 2020-2021 estimate is \$21,000 lower than the 2019-2020 estimate primarily due to various cost reductions partially offset by an increase in activities in Sydney.

Corporate Services 2020-2021 estimate is \$263,000 higher than the 2019-2020 estimate due to an increase in insurance costs, work required to upgrade the website and implement a customer relationship management solution, and other smaller cost increases.

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