

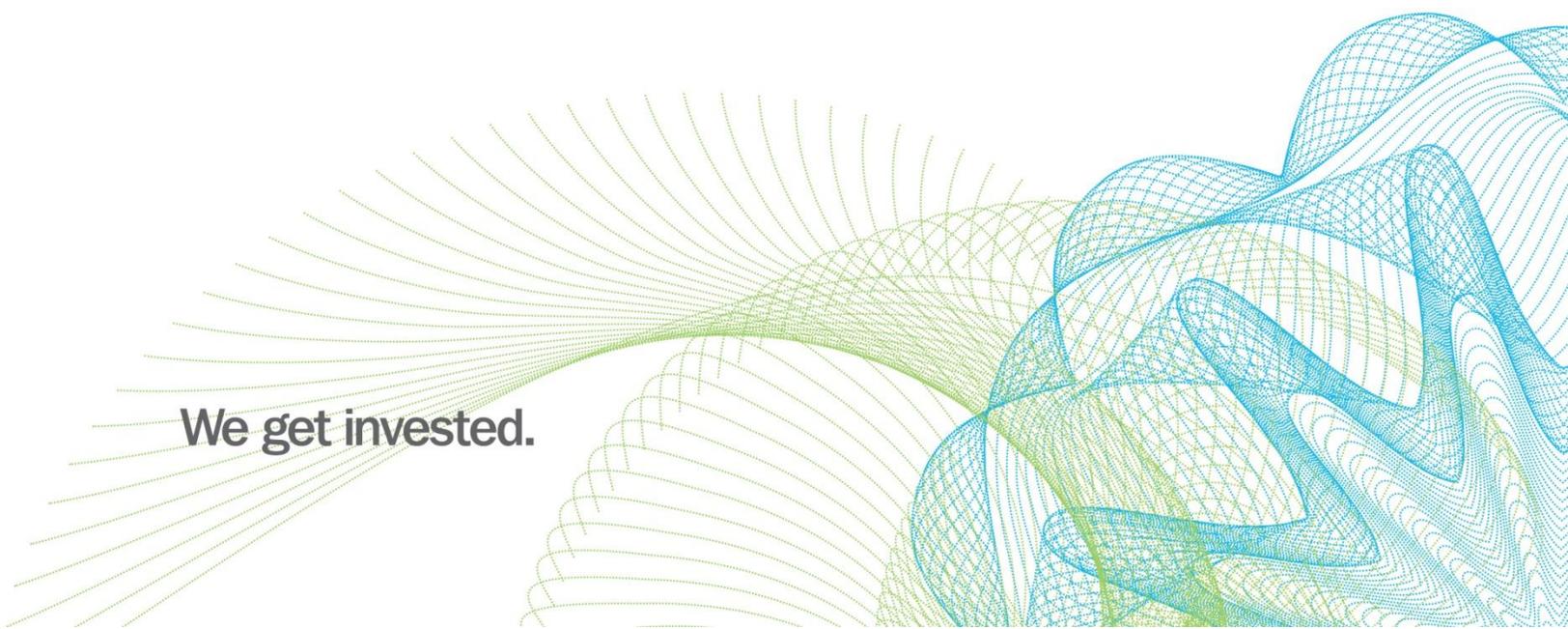
BUSINESS PLAN

2021-2022

innovacorp

EARLY STAGE VENTURE CAPITAL

We get invested.



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Message from the Board Chair

Last year was a challenging one for all of us. Nova Scotia's start-ups were no exception. While many of these companies were remarkably resilient, sometimes even finding new opportunities through the COVID-19 pandemic, it continues to be an extremely difficult time for founders, their employees, and investors.

Fortunately, there is help available.

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 commission's vision for a more prosperous province. Our work also helps address many government priorities, especially related to supporting the Minister of Inclusive Economic Growth's mandate to foster an innovation ecosystem and support innovative businesses.

In particular, Innovacorp supports the goals related to inclusive economic growth, venture capital investment per capita, export growth, number of new start-ups, strategic sector growth, international immigration, retention of international students, and R&D partnerships in the private sector. The organization addresses gaps in the market, providing capital, facilities, programs and other support otherwise unavailable to early stage, high-risk ventures in the deep technology sectors.

Not only do start-ups help solve global challenges, but they have a much larger economic impact than we often appreciate. They create a disproportionate number of good jobs, they make established businesses more competitive and they drive economic growth. We need that now more than ever.

As outlined in the pages that follow, in 2021-2022 Innovacorp will continue to find, fund and foster Nova Scotia start-ups. This work will include collaborating with the other Department of Inclusive Economic Growth Crown corporations to take advantage of trends around a more distributed workforce. Innovacorp will ensure we support entrepreneurs that come to Nova Scotia to live and grow their high-potential technology companies.

Sincerely,

Nicole LeBlanc
Board Chair, Innovacorp

Innovacorp’s Strategic Approach and Purpose

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

Our **vision** is that Atlantic Canada 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.

Innovacorp is focused on start-ups in clean technology (i.e., low-carbon products and processes for all sectors), life sciences (e.g., medical devices, digital health, therapeutics), information technology, and ocean technology. Our clients are developing technologies that will help Nova Scotia become a leader in addressing some of the world’s biggest challenges – from climate change, to ocean and food sustainability, to human health.



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 the province’s 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 and our investments in privately managed funds. Venture capital-backed start-ups typically have a greater economic impact than their non-backed peers and demonstrate stronger growth in employment and innovation. Innovacorp is ultimately driven, however, by generating financial returns on its fund. We also leverage our dollars with other venture capital and angel co-investors, to attract 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, our support sometimes comes in the form of information-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.

Operating Context

High-growth start-ups have an outsized positive impact on the economy.

Innovacorp plays a foundational role in Nova Scotia's start-up ecosystem, which includes many other organizations and assets that support existing companies and encourage the creation of new ones. Collectively, we are 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 disproportionately positive impact on job and wealth creation.

The Government of Nova Scotia's goal for inclusive economic growth and the ONE Nova Scotia commission's targets guide Innovacorp. 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 2019.

Entrevestor found 697 high-growth, innovation-driven companies in the region in late 2019, up 27 per cent from a year earlier. Three hundred seventy-one of those companies were based in Nova Scotia.

Entrevestor's analysis also indicates company quality has improved in all areas, with revenues growing at about 70 per cent – the third year in a row of 70 per cent growth or higher. Further, in 2019, Atlantic Canadian start-ups raised \$651.5 million in capital (excluding money raised on the stock market). This was three times more than any previous year. About 6,500 people worked directly for the companies at the end of 2019, up 23 per cent from a year earlier.

Rural innovation is also increasing. According to Entrevestor, more structured collaboration is happening between rural entrepreneurs and urban support organizations.

Innovacorp is joined by many other organizations and individuals offering funding and support to Nova Scotia start-ups. Risk capital from Concrete Ventures, coaching and angel funding through Creative Destruction Lab (CDL), start-up hubs such as Volta and Ignite, online acceleration from Propel, educational programs from post-secondary institutions, and much more. These groups typically target specific sectors or populations¹ and offer a particular type of support to companies. Innovacorp is focused on deep technology¹ start-ups with high-growth

¹ Innovacorp defines deep technology start-ups as those based on a scientific discovery or new engineering innovation. Target industries include information technology, clean technology, life sciences and ocean technology.

potential, providing them with a unique combination of venture capital, incubation infrastructure and acceleration programs.

Over time, the start-up ecosystem players in Nova Scotia have become better at collaborating with each other and avoiding duplication of resources. One thing all the organizations agree on is that start-ups will play an important role in our economic recovery post COVID-19. Most of Innovacorp's clients have survived COVID-19 so far, and in some respects the crisis is leveling the playing field for Nova Scotia start-ups by giving them the same access (albeit virtual) other start-ups around the globe have to investors, partners, suppliers, talent and customers. But we know we will all feel COVID-19's challenges for a long time to come, and we must work together to ensure start-ups have the support they need so they can maximize their economic impact.

2021-2022 Priorities and Activities

This business plan outlines how Innovacorp will support government priorities through our approach to find, fund and foster Nova Scotia start-ups. We will achieve this through three main interdependent areas of activity: **venture capital investment, incubation facilities, and acceleration initiatives.**

Investment

Innovacorp's venture capital fund, the Nova Scotia First Fund, helps ensure early stage, high-growth start-ups get access to the funds they need to grow to a point where they can raise additional capital from private investors. Innovacorp's fund fills a market gap, providing dollars that start-ups could not otherwise access, due to their early stage and high-risk nature, as well as the relatively low level of private venture capital available in the province.

In 2021-2022, Innovacorp will focus on:

- making **venture capital investments** in early stage Nova Scotia technology companies with high-growth potential and attractive risk-return prospects;
- **leveraging its investments** through co-investors, with an emphasis on venture capital partners from outside Nova Scotia; and
- **generating a return** for Nova Scotia on its venture capital investments.

Incubation

Innovacorp manages three incubation facilities that are premier destinations for early stage companies in Nova Scotia's strategic growth sectors.

1. The Labs at Innovacorp focuses on companies in the life sciences industry.
2. The Bays at Innovacorp targets companies in clean technology and other knowledge-based sectors.
3. Start-Up Yard at COVE is for ocean technology ventures.

These facilities offer lab, office and light-industrial space and infrastructure unavailable in the commercial real estate market, as well as flexible leasing, on-site support, programming, and a community of like-minded people.

In 2021-2022, Innovacorp will focus on:

- providing **incubation infrastructure and services** through our three sites.

Acceleration

Innovacorp's acceleration activities build and strengthen the pipeline of investment-grade start-ups in Nova Scotia, ideally as prospects for Innovacorp's venture capital fund.

Often delivered after a competitive process to identify participants, the activities provide financial and non-financial support, such as education, mentoring and expert guidance, to start-ups from idea stage to a Series A financing round. While the funding is needed to help emerging companies hit early technical and business milestones, the non-financial support is also critical. Many start-ups are led by technical experts who lack the business acumen to understand commercial opportunities, complete proper customer discovery, determine a relevant business model, attract the needed talent, take a product to market, etc. Innovacorp's programs help fill those gaps in know-how and provide non-dilutive funding towards the company's milestones. These are dollars a pre-revenue company is not earning and could not access through a bank.

In 2021-2022, Innovacorp will focus on:

- finding and supporting high-potential new technology companies and encouraging 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**;
- delivering **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; and
- enhancing our **services and support (i.e., venture services) for our highest potential portfolio companies**, addressing their individual operational, technical and strategic needs.

Strategic Initiatives

Innovacorp's focus is on building individual Nova Scotia start-ups with high-growth potential. However, the organization is also driven to help create a world-class ecosystem for start-ups in general. To that end, Innovacorp works collectively with private and public organizations to 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.

In 2021-2022, Innovacorp will focus on:

- working with like-minded partners to establish an **angel network organization** that will be responsible for recruiting and assembling angel investors, bringing companies forward for investment consideration, and fostering success through information and educational tools;
- increasing the **availability of venture capital** through partnering with the private sector to create funds for the ocean technology and life sciences sectors, as well as through investing in a new fund for women investors and founders;
- partnering with the Verschuren Centre to help **Cape Breton become a destination where companies in the agricultural technology and industrial biotech sectors** can scale up their technologies and business. Verschuren Centre’s technical assets and expertise will be complemented by Innovacorp’s business expertise and programming and ability to build a supportive ecosystem;
- playing an active role in the **next phase of the Ocean Start-Up Project (OSP)**, which is a co-funded, pan-Atlantic collaboration to double the number of high-quality, ocean technology start-ups thriving in Atlantic Canada; and
- collaborating across the Department of Inclusive Economic Growth’s Crown corporation portfolio to **attract remote workers to the province**. Innovacorp’s role will include: telling stories to show Nova Scotia’s vibrant and world-class start-up community; demonstrating the remarkable non-dilutive support and collaborative environment Nova Scotia offers start-up founders; highlighting Nova Scotia’s unique offering for start-up founders in the ocean technology, agricultural technology and industrial biotech sectors; and amplifying the government’s overall marketing campaign through Innovacorp’s social channels and website.

Performance Indicators 2021-2022

Below are the performance targets for Innovacorp's 2021-2022 work outlined above.

Performance Indicators	2021-2022 Target
Investment	
Number of Innovacorp investments	12
Amount invested by Innovacorp	\$4 million
Amount raised by portfolio companies	\$50 million
TVPI ratio (total value to paid-in capital)	1.3
Number of portfolio companies that raise Series A investment	2
Incubation	
Occupancy rate at facilities (The Labs and The Bays at Innovacorp)	85%
Occupancy rate of companies that are venture-grade at The Labs and The Bays	45%
Acceleration	
Number of new early stage opportunities in Innovacorp's client pipeline	180
Number of client companies that raise angel investment	10

Budget Context

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

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	Estimate 2020-2021 (\$)	Forecast 2020-2021 (\$)	Estimate 2021-2022 (\$)
Revenue			
Provincial funding	9,726,000	9,436,000	9,054,000
Other provincial funding	-	5,100,000	94,000
Incubation	1,092,000	1,282,000	1,215,000
Acceleration	944,000	668,000	918,000
Corporate Services	42,000	42,000	26,000
	11,804,000	16,528,000	11,307,000
Expenses			
Incubation	2,774,000	2,774,000	2,776,000
Investment	1,143,000	1,123,000	1,116,000
Acceleration	4,390,000	4,169,000	4,511,000
Corporate Services	2,810,000	2,775,000	2,904,000
	11,117,000	10,841,000	11,307,000
Surplus before non-operating items	687,000	5,687,000	-
Other income (expense)			
Impairment on investments and loans receivable	(500,000)	(500,000)	(500,000)
Depreciation	(569,000)	(569,000)	(399,000)
Amortization of deferred capital funding	241,000	241,000	147,000
Deficit	(141,000)	4,859,000	(752,000)

Revenue

Provincial funding 2021-2022 estimate is \$672,000 lower than the 2020-2021 estimate primarily due to a reduction of \$687,000 in funding to eliminate Innovacorp's surplus before non-operating items, net of \$15,000 in new funding for salary increases.

Other provincial funding 2021-2022 estimate is \$94,000 higher than the 2020-2021 estimate due to funding from the Department of Inclusive Economic Growth for the Ocean Startup Project.

Incubation 2021-2022 estimate is \$123,000 higher than the 2020-2021 estimate primarily due to an increase in client revenue at the facilities.

Acceleration 2021-2022 estimate is \$26,000 lower than the 2020-2021 estimate primarily due to reduced funding of activities in Cape Breton and reduced client revenue at Start-Up Yard at COVE, partially offset by an increase in funding for the Ocean Startup Project.

Corporate Services 2021-2022 estimate is \$16,000 lower than the 2020-2021 estimate primarily due to an increase in investment management fees.

Expenses

Incubation 2021-2022 estimate is \$2,000 higher than the 2020-2021 estimate.

Acceleration 2021-2022 estimate is \$121,000 higher than the 2020-2021 estimate primarily due to the Ocean Startup Project and various other increases, partially offset by a decrease in activities in Cape Breton and a reduction in expenses at Start-Up Yard at COVE.

Corporate Services 2021-2022 estimate is \$94,000 higher than the 2020-2021 estimate primarily due to an increase in insurance costs and licenses for various software.

Depreciation 2021-2022 estimate is \$170,000 lower than the 2020-2021 estimate primarily due to a reduction in capital spending in Cape Breton.

Amortization of Deferred Capital Funding 2021-2022 estimate is \$94,000 lower than 2020-2021 due to completion of amortization for some capital funding received.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

- [Innovacorp Board of Directors](#)
- [Innovacorp Senior Management Team](#)

Organizational Overview

- [Innovation Corporation Act](#)
- [Vision and Mission](#)

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