

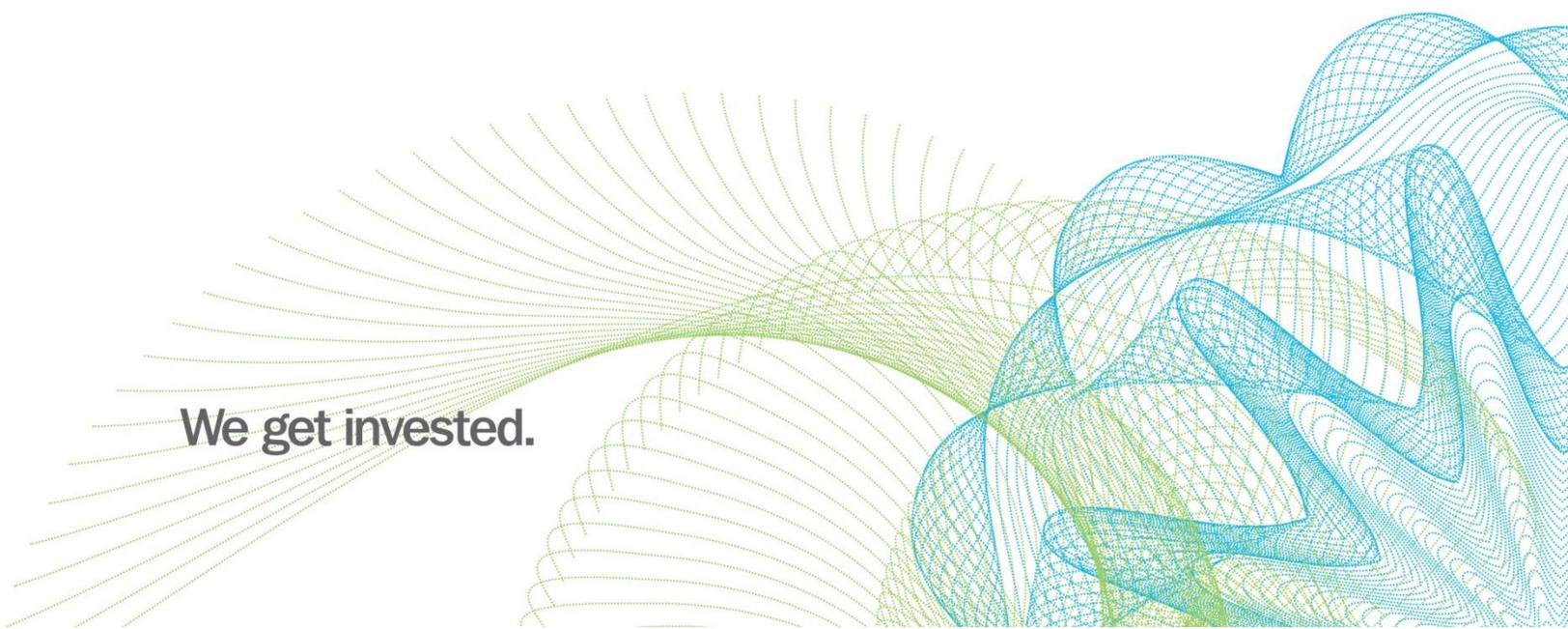
BUSINESS PLAN

2019-2020

innovacorp

EARLY STAGE VENTURE CAPITAL

We get invested.



Message from the Board Chair

Innovacorp is Nova Scotia's early stage venture capital organization. Our investments enable the creation and growth of innovative start-ups throughout Nova Scotia.

The start-ups we invest in 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 2019-2020 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 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.



Planning Context

According to the 2017 Entrevestor start-up data, the number of companies in Atlantic Canada's start-up community grew by 85 per cent since Entrevestor first published its analysis in 2013. Of the 486 start-ups counted in late 2017, 261 were based in Nova Scotia. Entrevestor's analysis also indicated company quality had improved at all levels. Further, the start-ups and high-growth companies had become a significant employer in the region, with about 6,400 people working in this area and employment growing at an estimated seven per cent per year.

Entrevestor is forecasting strong and steady growth for its databank of companies, suggesting it is "on pace to double the companies every five years or so."

This momentum is no surprise given the number of new or enhanced assets (i.e., programs, facilities, events, funders) in the start-up ecosystem. From Propel ICT, CDL, ideaHUB, Concrete Ventures, Build Ventures II and COVE, to the Ocean Supercluster, multiple post-secondary entrepreneurship programs, and Volta's enhanced space and services. The list is growing, and in addition to supporting existing start-ups, the resources are encouraging the creation of new ones.

Innovacorp plays a foundational role in the start-up ecosystem, providing investment as well as acceleration programs and services to some of the province's most successful and most promising early stage technology companies.

As noted above, Innovacorp works to *find, fund and foster* innovative Nova Scotia start-ups that strive to change the world.

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. Plus, we attract immigrant entrepreneurs through our Start-Up Visa Program.

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.

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.

Innovacorp 2019-2020 Goals, Activities and Performance Indicators

Innovacorp's goals are to grow the number of high-quality start-ups in Nova Scotia, attract investment into those companies, and generate a financial return on the Province of Nova Scotia's investment in the start-up ecosystem. Our 2019-2020 work towards those targets is outlined below.

- 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; amount invested by private sector funds in which Innovacorp is a limited partner (i.e., Build Ventures, Concrete Ventures)
- **Leverage Innovacorp's investments** through co-investors, with an emphasis on venture capital partners from outside Nova Scotia.
Measures: amount leveraged from co-investors; 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); ratio of distributions to paid-in capital
- Provide **incubation infrastructure and services** through our sites on the Dalhousie University campus, in Woodside and at the Centre for Ocean Venture and Entrepreneurship (COVE) and operate the **Nova Scotia Power Makerspace** in Sydney.
Measures: number of companies under incubation; occupancy rate at facilities; number of people accessing Makerspace
- Move Nova Scotia **university and college research to market through support** for projects that demonstrate commercial readiness or are close to achieving a prototype or proof-of-concept stage.
Measures: number of ESCF (Early Stage Commercialization Fund) program applications; percentage of past ESCF program participants that raise investment
- Find and support high-potential new technology companies and encourage entrepreneurial activity across Nova Scotia through **start-up competitions**.
Measures: number of competition submissions; percentage of past competition winners that raise investment
- Deliver **acceleration programs** 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 acceleration program participants; percentage of past acceleration program participants that raise 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 that access venture services; percentage of companies accessing ventures services that raise follow-on investment
- Attract start-ups to Nova Scotia through the **Start-Up Visa Program**, a federal program for immigrant technology entrepreneurs.
Measures: number of support letters completed for the Start-Up Visa Program; percentage of Start-Up Visa Program participants that raise investment
- Provide **mentoring for start-ups** through peer-to-peer opportunities and more formal mentoring engagements with seasoned advisors.
Measures: number of companies accessing mentoring opportunities
- Work with **partners** in the community (e.g., CDL, Volta, Propel, NSBI, ideaHUB) to build more successful start-ups, maximizing the availability of impactful expertise, capital and other resources.
Measures: number of partners' companies that raise investment
- Work with universities and colleges to **stimulate more commercially viable ideas** in their research departments.
Measures: number of ESCF program applications

Performance Indicators 2019-2020

Performance Indicators	2019-2020
number of Innovacorp investments	10
amount invested by Innovacorp	\$6.5 million
amount invested by private sector funds in which Innovacorp is a limited partner	\$8 million
amount leveraged from co-investors (ratio)	1:2
amount raised by portfolio companies	\$40 million
TVPI ratio (total value to paid-in capital)	1.2
ratio of distributions to paid-in capital	0.1
number of companies under incubation	30
occupancy rate at facilities (Research Drive and Summer Street locations)	85%
number of people accessing Makerspace	100
number of ESCF (Early Stage Commercialization Fund) program applications	24
percentage of past ESCF program participants that raise investment	10%

number of competition submissions	100
percentage of past competition winners that raise investment	15%
number of acceleration program participants	8
percentage of past acceleration program participants that raise investment	30%
number of portfolio companies that access venture services	30
percentage of companies accessing ventures services that raise follow-on investment	40%
number of support letters completed for the Start-Up Visa Program	5
percentage of Start-Up Visa Program participants that raise investment	15%
number of companies accessing mentoring opportunities	20
number of partners' companies that raise investment	15

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 2018-2019 (\$)	Forecast 2018-2019 (\$)	Estimate 2019-2020 (\$)
Revenue			
Provincial funding	9,266,000	9,379,000	9,660,000
Incubation	1,017,000	1,602,000	1,036,000
Investment	17,000	18,000	-
Acceleration	586,000	586,000	847,000
Corporate Services	163,000	163,000	163,000
	11,049,000	11,748,000	11,706,000
Expenses			
Incubation	2,966,000	2,966,000	2,977,000
Investment	1,315,000	1,315,000	1,142,000
Acceleration	4,227,000	4,925,000	4,508,000
Corporate Services	2,332,000	2,332,000	2,720,000
	10,840,000	11,538,000	11,347,000
Surplus before non-operating items	209,000	210,000	359,000
Other income (expense)			
Realized gains on investments and loans receivable	150,000	700,000	-
Impairment on investments and loans receivable	(500,000)	(500,000)	(500,000)
	(350,000)	200,000	(500,000)
Surplus (deficit)	(141,000)	410,000	(141,000)

Revenue

Provincial funding 2019-2020 estimate is \$394,000 higher than the 2018-2019 estimate. Highlights of the changes are summarized in the following table:

Thousands of dollars	
Estimate 2018-2019	\$9,266
Net funding to meet budget pressures and deliver new programs	370
Decrease in funding required for Start-Up Yard at COVE	(34)
Other	58
Estimate 2019-2020	\$9,660

Incubation 2019-2020 estimate is \$19,000 higher than the 2018-2019 estimate primary due to an increase in client revenue at facilities.

Investment 2019-2020 estimate is \$17,000 lower than the 2018-2019 estimate primarily due to the cessation of director fees from a portfolio client.

Acceleration 2019-2020 estimate is \$261,000 higher than the 2018-2019 estimate. Highlights of the changes are summarized in the following table:

Thousands of dollars	
Estimate 2018-2019	\$586
Funding of Momentum activities in Sydney	170
Client revenue at Start-Up Yard at COVE	124
Other	(33)
Estimate 2019-2020	\$847

Expenses

Investment 2019-2020 estimate is \$173,000 lower than the 2018-2019 estimate. Highlights of the changes are summarized in the following table:

Thousands of dollars	
Estimate 2018-2019	\$1,315
Reorganization of team	(125)
Transfer of sponsorship budget to Corporate Services	(31)
Other	(17)
Estimate 2019-2020	\$1,142

Acceleration 2019-2020 estimate is \$281,000 higher than the 2018-2019 estimate. Highlights of the changes are summarized in the following table:

Thousands of dollars	
Estimate 2018-2019	\$4,227
Delivery of new programs	138
Increase in Momentum activities in Sydney	170
Increase in Start-Up Yard at COVE activity	90
Transfer of amortization expense to Corporate Services	(82)
Other	(35)
Estimate 2019-2020	\$4,508

Corporate Services 2019-2020 estimate is \$388,000 higher than the 2018-2019 estimate. Highlights of the changes are summarized in the following table:

Thousands of dollars	
Estimate 2018-2019	\$2,332
Increase in budget to support increase in staff level and budget pressures	135
Transfer of amortization expense from Acceleration	82
Increase in IT costs	77
Transfer of sponsorship budget from Investment	31
Other	63
Estimate 2019-2020	\$2,720

Non-Operating Items

Realized gains on investments and loans receivable 2019-2020 estimate is \$150,000 lower than the 2018-2019 estimate due to a non-recurring gain budgeted in 2019-2020.

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