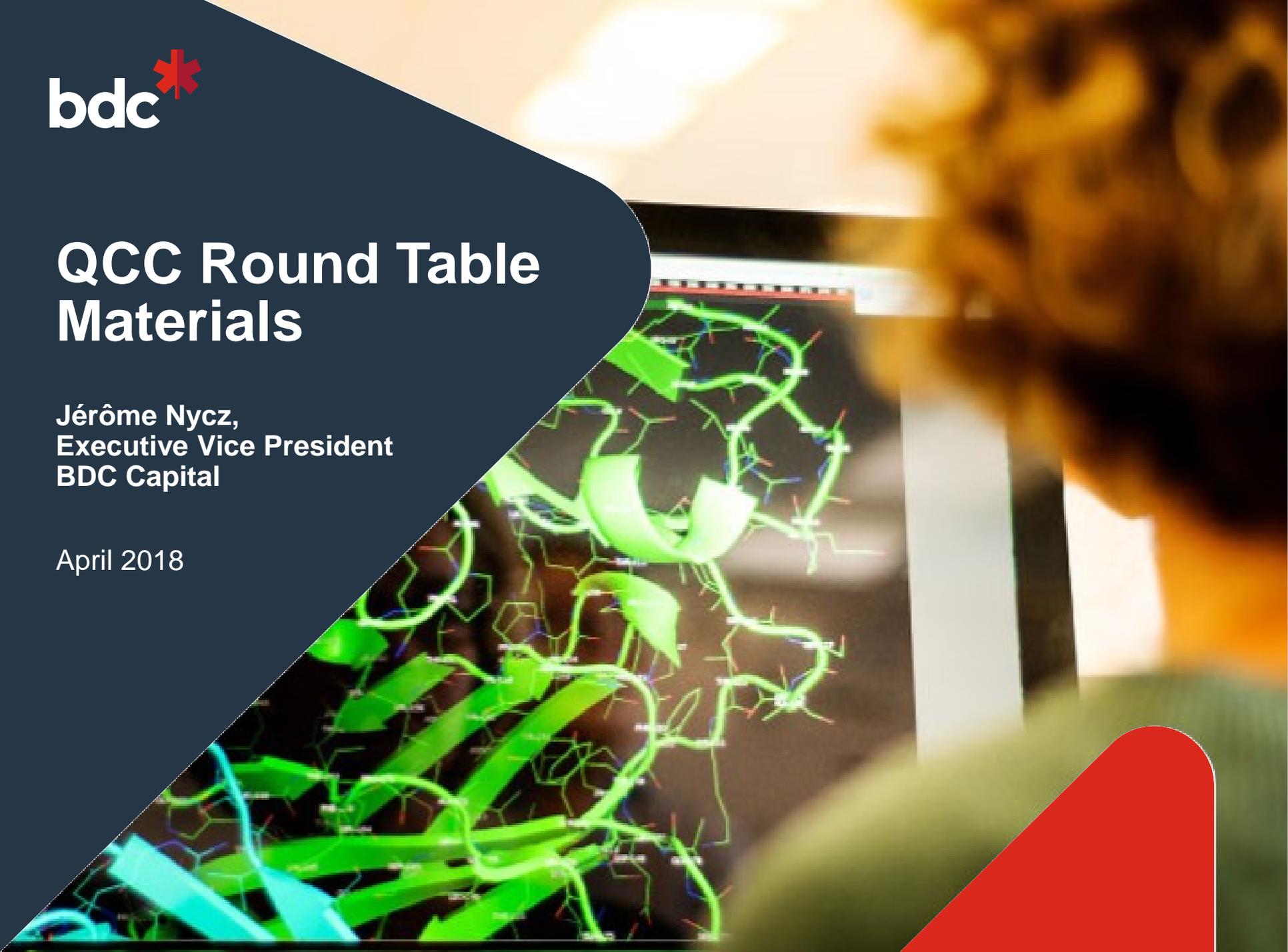




# QCC Round Table Materials

Jérôme Nycz,  
Executive Vice President  
BDC Capital

April 2018

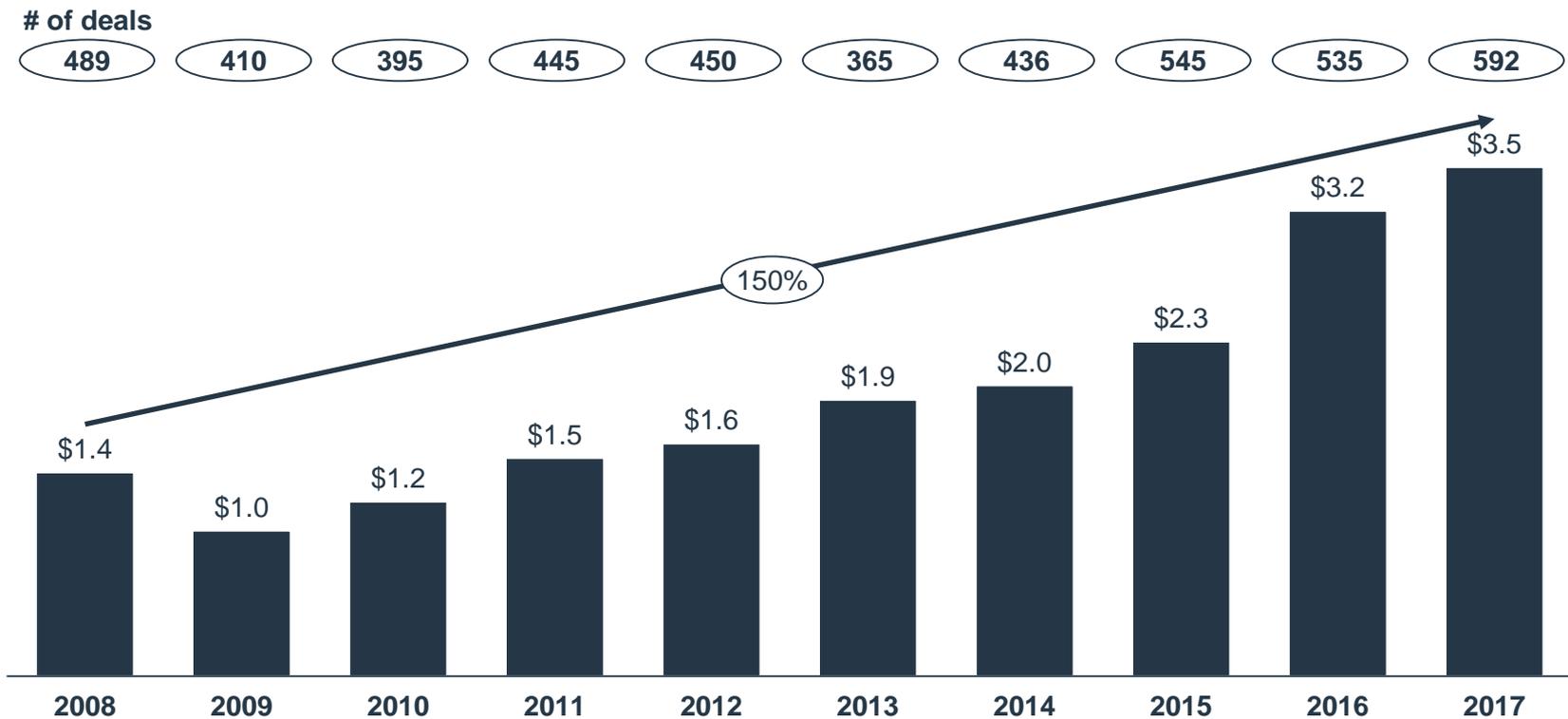




# Canadian VC has enjoyed positive momentum in recent years, growing 150% since 2008

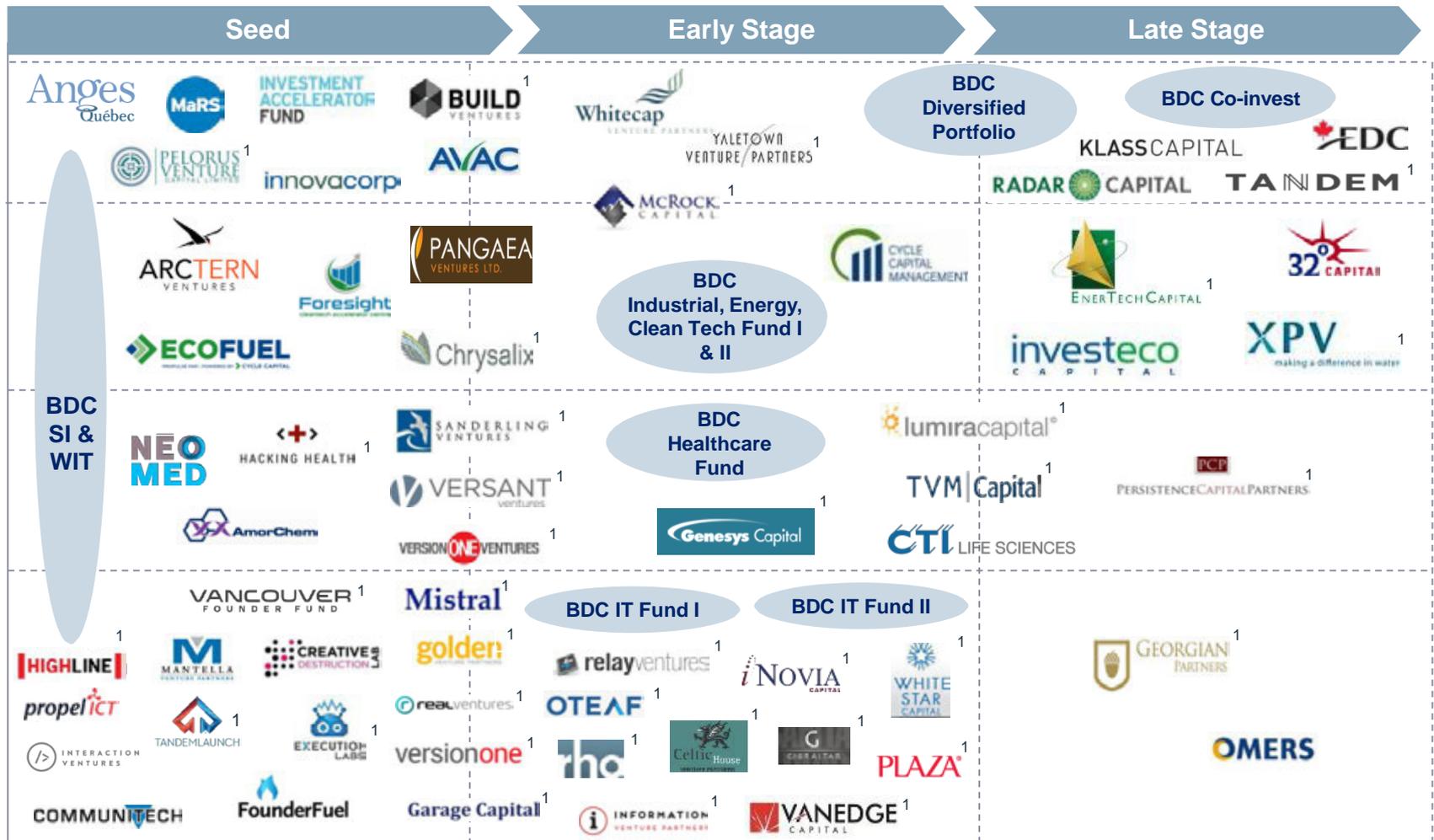
## Venture capital invested in Canada

\$ Billions, 2008-2017



Source: CVCA

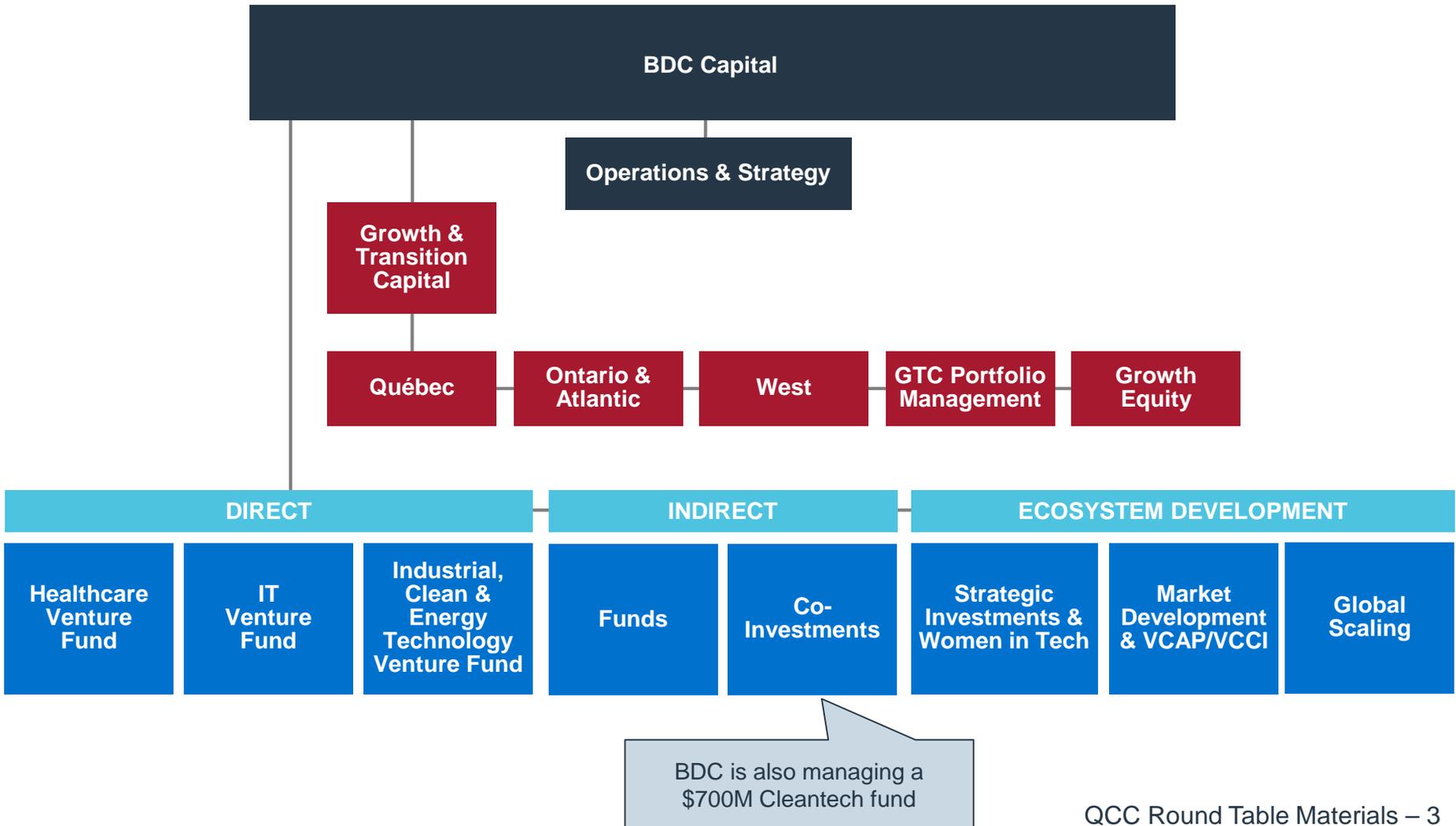
# BDC VC plays a major role, directly and indirectly, across sectors and at different stages



<sup>1</sup> Funds and investment platforms supported by BDC



# The organization is constantly evolving to better serve entrepreneurs

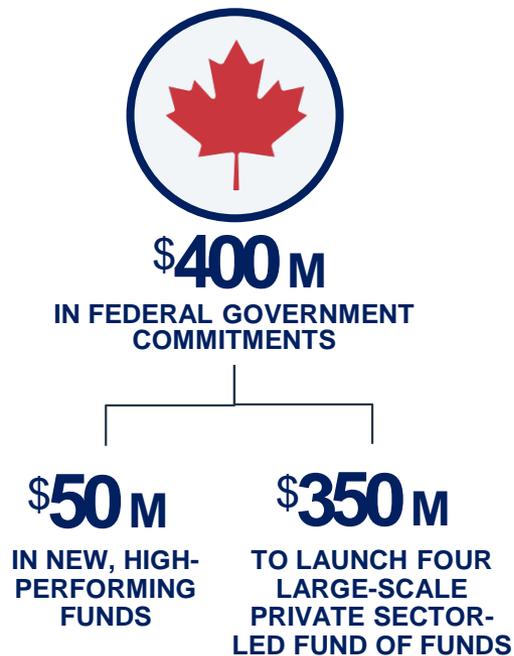


# BDC also manages the Venture Capital Action Plan, a government initiative to help bolster private sector participation in the asset class



An initiative from the Government of Canada to support the Canadian venture capital ecosystem

1. Help draw private sector funds back in venture capital



2. Support the creation of large-scale venture capital funds led by the private sector



# The VCAP model is built around the idea of incentivizing private capital to enter the asset class through an asymmetrical waterfall



Private sector-led funds of funds

- Strong, proven private sector fund managers
- Market standard terms on fees and carry
- 20% allocation for direct co-investments

Attractive incentive structure offered to private investors

- Government capital contributions go in first and come out last, delivering enhanced IRR, lower risk and capital exposure for private investors
- *Provided that private sector partners commit \$2 for every \$1 committed by the government*

Few restrictions or other market-distorting requirements

- Canadian partner presence by 80% of General Partners of underlying funds
- 1/3 of aggregate amount invested by the funds of funds and their portfolio funds in Canadian-based companies



# The Venture Capital Catalyst Initiative (VCCI) builds on the learnings and momentum of VCAP to continue growing and developing the ecosystem

Announced in 2017 Federal Budget

## Overview

- Build on positive results, momentum and structures from VCAP, but with increased emphasis on later stage venture
- Government capital will fund incentives for private investors, similar to VCAP
- Focus on Canadian venture backed funds and companies, but international investments allowed
- \$50M of the \$400M to be allocated to underserved groups such as women-run businesses and Indigenous or immigrant entrepreneurs

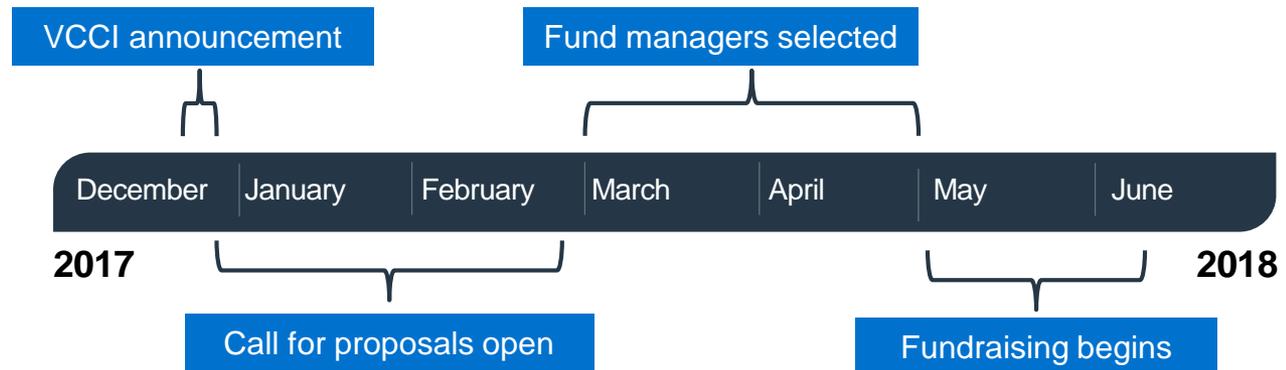
**\$400M**

Federal commitment

**\$1.5B**

Target program size

## Proposed Timeline



# Key differences between VCCI & VCAP



	VCCI	VCAP
Leverage Ratio*	2.25x	2x
Funds of Funds Management fees	0.6%	0.5 - 1%
Co-Invest allocation	25%	20%
Capital Contributions	Pro-rata	90%/10%**
Capital Distributions	<ul style="list-style-type: none"> <li>i. Class A Capital returned, plus 7% preferred return</li> <li>ii. Class B Capital returned, plus 3% preferred return</li> <li>iii. GP Carried Interest Catch-up</li> <li>iv. Pro-Rata</li> </ul>	<ul style="list-style-type: none"> <li>i. Class A Capital returned, plus 7% preferred return</li> <li>ii. Class B capital returned, plus 7% preferred return</li> <li>iii. GP Carried Interest Catch-up</li> <li>iv. 90/10 Class A/B until class A reaches lesser of 2x MOIC or 30% IRR</li> <li>v. Pro-Rata</li> </ul>
Minimum Canadian Content	<ul style="list-style-type: none"> <li>60% of Fund Investments</li> <li>70% of Co-Investments</li> </ul>	<ul style="list-style-type: none"> <li>55% of Fund Investments</li> <li>50% of Co-Investments</li> </ul>

\*The ratio of private capital to federal and provincial capital

\*\*Government contributes 90% of capital contributions until depleted



# Five technology groups were selected to participate in Canada's \$950M "superclusters" initiative



→ The Innovation Superclusters Initiative received 50+ proposals, involving 1,000+ companies, 350 partners, 100+ academic institutions, of which the following five were chosen:

Region	Supercluster	Description	Led by	Partners involved
NL	Ocean	<ul style="list-style-type: none"> <li>Industry consortium that would expand digital technologies in aquaculture, fisheries, offshore oil and gas, and clean energy</li> </ul>		<ul style="list-style-type: none"> <li>25 partners; Emera Inc, Dalhousie University, Cuna del Mar, Clearwater, U. of Newfoundland, Ocean Frontier institute</li> </ul>
QC	Scale AI	<ul style="list-style-type: none"> <li>Bolster Canadian leadership in artificial intelligence and data science</li> </ul>		<ul style="list-style-type: none"> <li>80 partners; UdM Polytechnique, Couche-Tard Inc., Bell, CGI Group, AgroPur, Aldo</li> </ul>
ON	Advanced manufacturing	<ul style="list-style-type: none"> <li>Drive collaboration between technology and manufacturing sectors, using the Internet of Things, big data, sensor technology and intelligent machines</li> </ul>		<ul style="list-style-type: none"> <li>100 innovation partners; Linamar Corp., Maple Leaf Foods Inc., University of Waterloo, Miovision</li> </ul>
SK	Protein Industries	<ul style="list-style-type: none"> <li>Focus on new technologies/value-added supply-chain infrastructure to position Canada as the global supplier of plant-based proteins/related products</li> </ul>		<ul style="list-style-type: none"> <li>60 innovation partners; Alliance Grain Traders Inc., American giant DowDuPont Inc.</li> </ul>
BC	Digital Technology	<ul style="list-style-type: none"> <li>Make Canada faster, smarter and more collaborative in inventing, developing and applying digital technologies</li> </ul>		<ul style="list-style-type: none"> <li>70 partners; Microsoft Canada, Timberwest Forest Corp, six post-secondary institutions</li> </ul>



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