



# YOUR GATEWAY TO THE NORTH AMERICAN MARKET

White Paper  
Startup Ecosystem - Canada

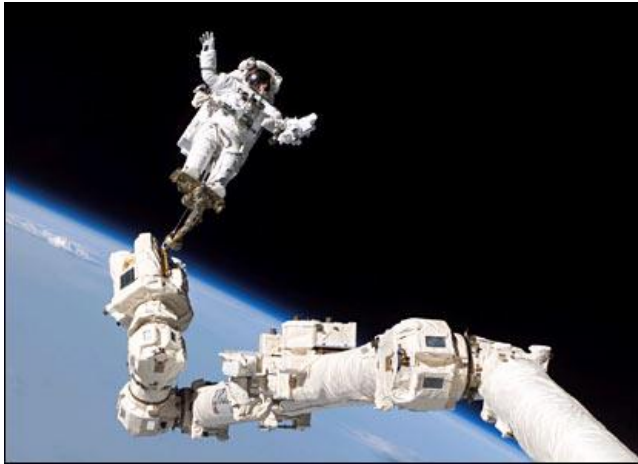


September, 2016

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## GENERAL ASPECTS



The Canadian technology sector has always been strong, and Canada is a highly-sought-after market for foreign SMBs. Doing business in Canada gives companies easy access to the US market, and many companies find Canada offers a much higher quality of life than the United States.

More than ever, this is a good time for international startups to come and explore the startup ecosystem.

Canada has several soft landing programs helping startups test their solutions in the country, and most of the softlanding programs don't cost more than airplane tickets and accommodation for the startup founders, since incubators and accelerators are eager to attract great startups to Canada.

LatAm Startups helped leading Canadian incubator Digital Media Zone (DMZ) at Ryerson University close a deal with ProMexico, as part of a [crosslanding program](#) between Canada and Mexico.

The Canadian government is committed to attract top tech startups to the country. The [Startup Visa](#), for example, offers permanent residency to great startups that come to Canada. The startups must have the support of an incubator, accelerator, or accredited investor.

The capital of tech innovation in Canada is the Toronto-Waterloo region. This 100km stretch is the second largest technology cluster in North America.

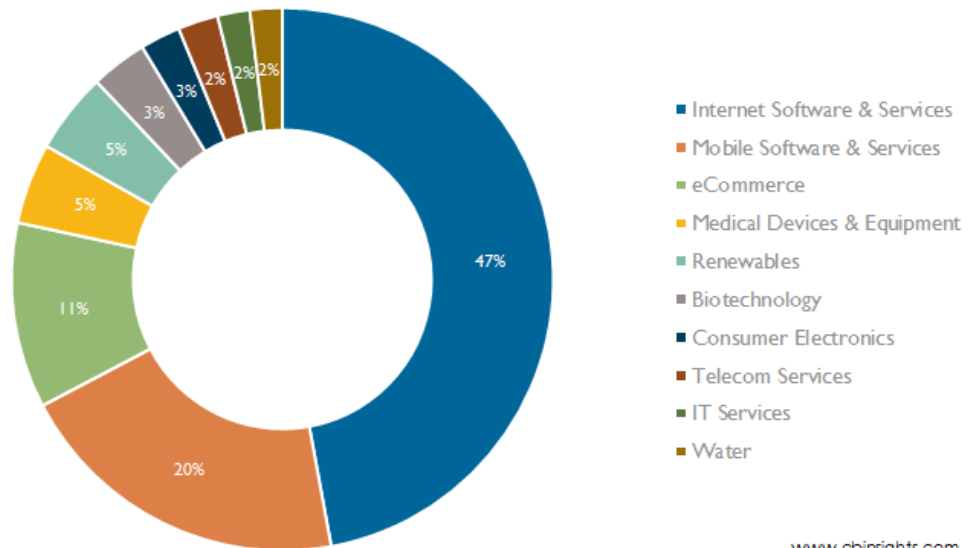
Vancouver and Montreal also show signs of major activity, and have vibrant, dynamic startup ecosystems worth exploring.

# WHY CANADA? WHY TORONTO?

Toronto is Canada's financial capital, but also the home of world-leading research and development, with experienced venture capital and a rapidly-growing startup ecosystem. Waterloo, a college town two hours west of Toronto, has the second-highest density of startups in the world, and is home to the headquarters of some of Canada's largest tech companies.

The Toronto-Waterloo region boasts a high concentration of the world's best technical talent. Not only does the region attract the best and brightest from across Canada, the region's research universities produce top-notch graduates, experts in fields as diverse as quantum computing, theoretical physics and artificial intelligence.

Canada VC Industry Deal Analysis  
% of Deals by Industry (Q2'12- Q1'14)

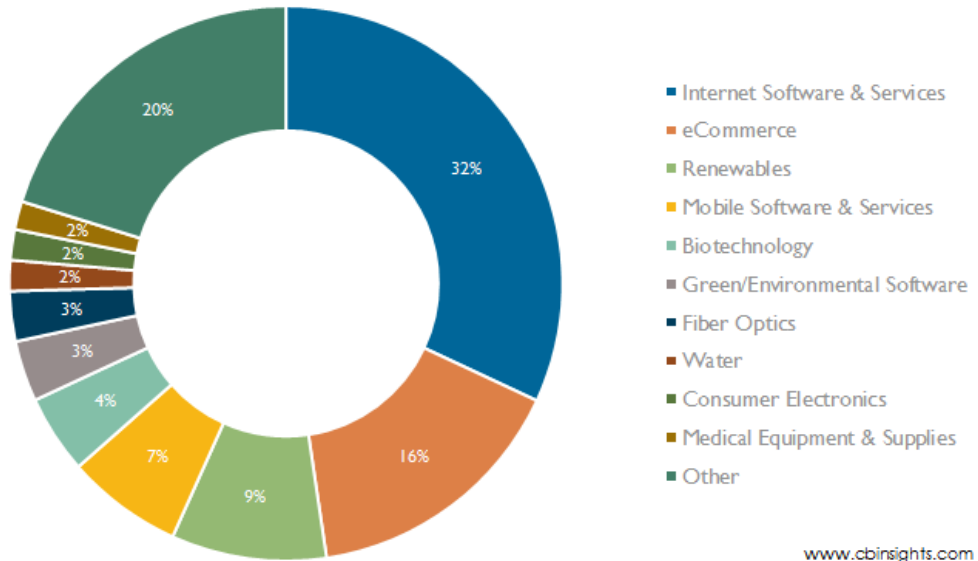


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Venture Capital companies invest heavily in Canadian and International companies. In the last two years, VC-funded ICT startups made up almost 50% of the deals in Canada. VCs are especially interested in Internet & Mobile Software and Services, e-Commerce and Medical Devices and Equipment.

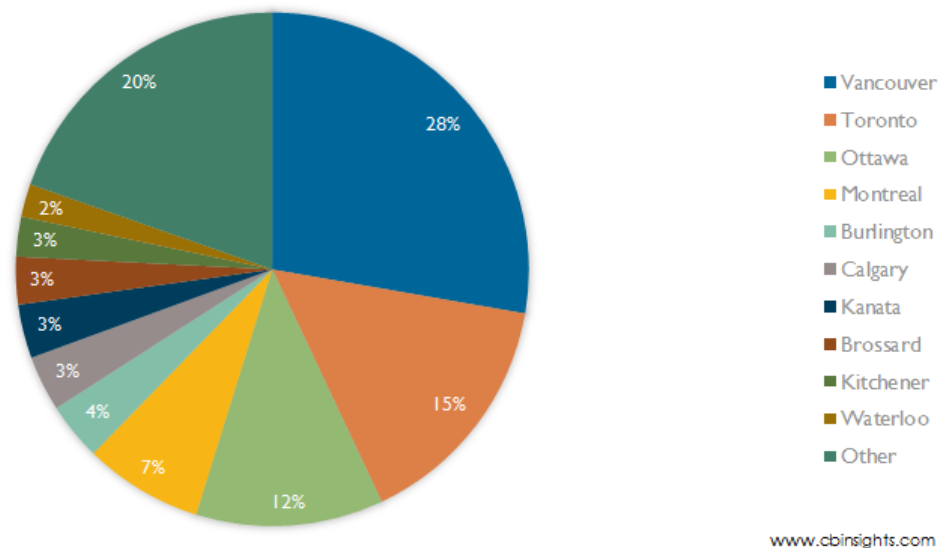
With 5,200 startups, and a strong support network of incubators, accelerators and Universities. The Corridor has huge investment potential. In fact, according to a 2014 study, Toronto ranked among the top three cities for VC and angel investments

### Where is the Money Going? Canada VC Industry Total Funding (Q2'12 - Q1'14)



Canada's top two Tech Cities are Toronto and Vancouver. Toronto is the financial capital of Canada and leads on a deal basis. Toronto is a prime destination for companies looking for Canadian partners or investment.

### Canadian Investments by City As % of total \$ Invested (Q2'12 - Q1'14)

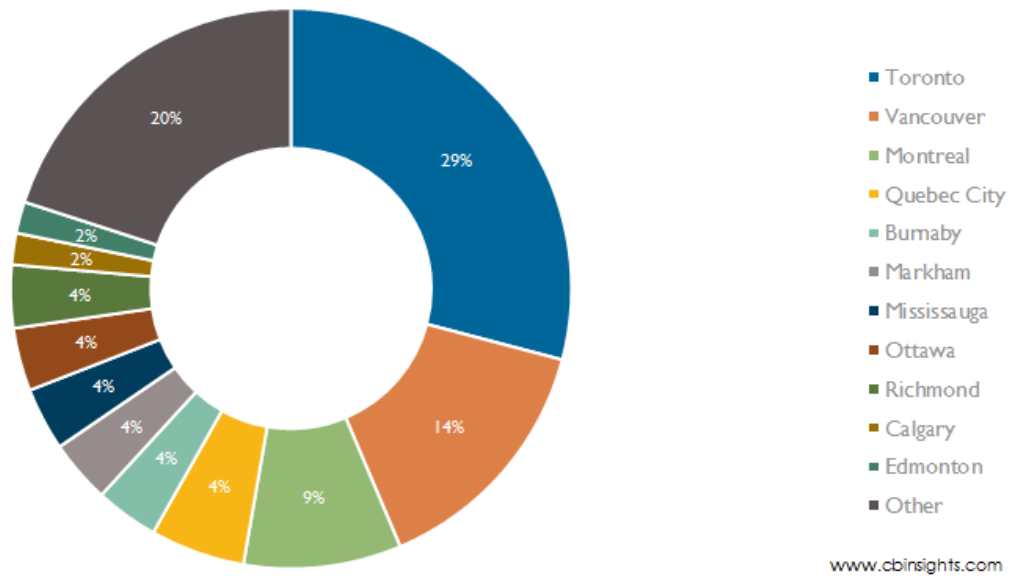




Toronto leads the national and international market in the following sectors: FinTech (Financial Innovation services), Health, E-commerce, Video Gaming, and ICT in general.

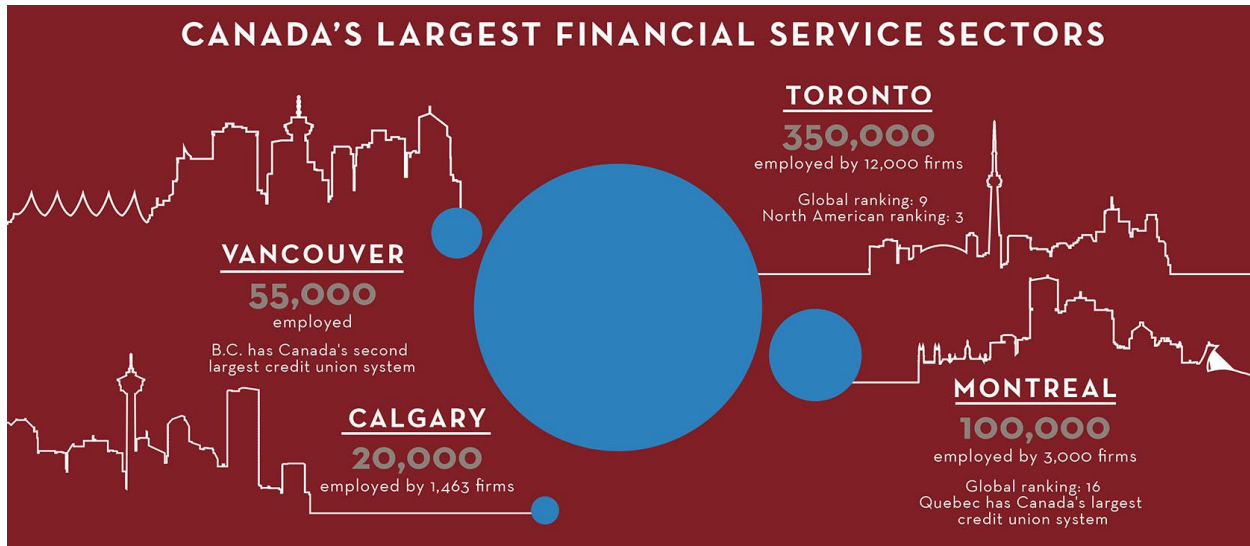
Over the past two years, Canadian VC-backed startups have seen 55 exits, with 52 M&A deals and 3 IPOs. VC-backed internet companies accounted for the most exits of any sector over the past two years at 29%. Software (non-internet/mobile) and Computer Hardware & Services rounded out the top 3. Technology sectors as a whole made up a combined 74% of all exits. Select tech exits include \$100M majority stake taken in QuickPlay Media by private equity firm Madison Dearborn Partners and T2 Systems' February 2014 acquisition of Digital Payment Technologies.

Canadian Startups VC-Backed Exits by City  
Q2'12-Q1'14



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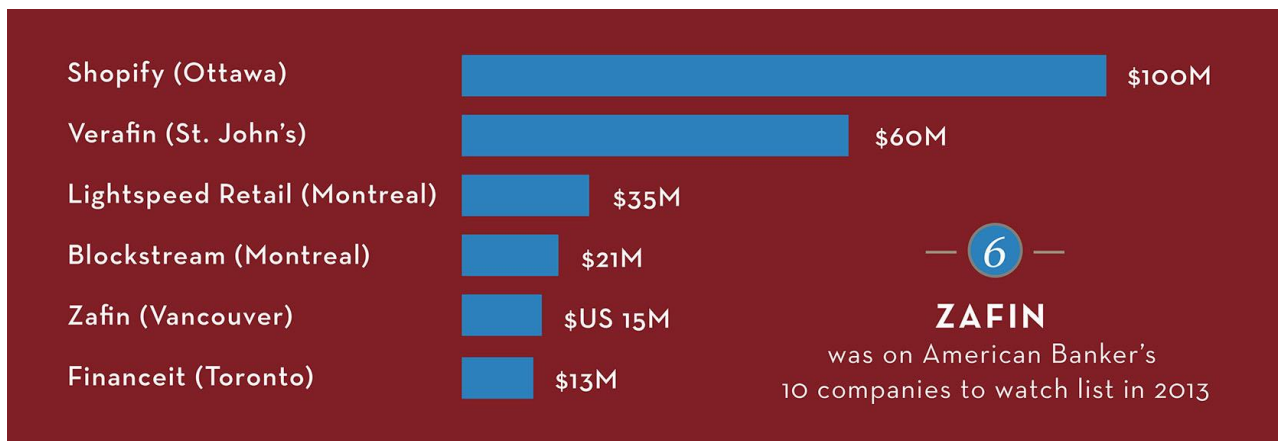
Another sector that is developing fast in the Canadian ecosystem is FinTech, this infographic released by MaRS Discovery District provides a basic overview of the Canadian's largest financial services sectors, as well as a detailed list of Canada's growing number of FinTech startups.



As shown in the graphic, Toronto has more than 12,000 firms focused in the financial service sector and the largest number of employees in the country working for financial firms.

Financial firms are spending money buying up tech startups to help them to innovate in the market. In 2013 the Canadian financial sector spent \$12billion in technology and it's expected by 2018 the financial sector will invest \$14.8 billion in technology.

Here are the largest Fintech Canadian VC deals



## WHY VANCOUVER?



Vancouver may not be Silicon Valley, but it is a short flight north from the Bay Area, prompting many leading tech companies, like Microsoft and Amazon, to open up local dev shops to take advantage of the talented Canadian tech workforce.

In many ways, Vancouver is closer to California than to Toronto, and not just geographically--the six-hour flight time between Vancouver and Toronto is a

cultural gulf as well. West Coasters from California or the Pacific Northwest are likely to find themselves at home in Vancouver.

Vancouver makes up for its isolation by thinking internationally. The city has strong ties to the Asia-Pacific Rim, and, for example, Vancouver-based Hootsuite has more than 10 million users across 175 countries.

Vancouver ranks No. 2 in Global Market Reach by having an average of 60 percent foreign customers (62 percent above North American average). With new venture firm Victory Square Ventures bringing a new pool of capital to early stage tech companies and opening doors to international distribution, there is no doubt that Vancouver will remain a popular launch pad for entrepreneurs with a global mindset.

The city boasts excellent support infrastructure for growing startups, including Launch Academy and government programs like IRAP and SR&ED.

Vancouver offers a highly-skilled workforce, excellent support infrastructure like Launch Academy, great government programs like IRAP and SR&ED to help startups minimize cost, and proximity to the Valley and educational conferences like Traction to ignite a culture of growth.

The imminent capital flows from the potential IPOs of Hootsuite and Vision Critical, as well as the recent exits of PlentyOfFish, Recon Instruments and Clearly Contacts, mean Vancouver is on a trajectory to become a major startup destination.



## WHY MONTREAL?



Montreal ranks just behind Toronto and Vancouver in terms of startup ecosystem. Over the last five years, high-tech entrepreneurship has boomed in the bilingual city, and incubators, accelerators, and events for startups and investors alike abound.

Some startups have raised significant investment, including Lightspeed, Luxury Retreats, Frank & Oak, Breather, Crew, Busbud, and OMSignal. The Table

d'Action en Entrepreneuriat (TAE) has set an official goal of increasing the number of entrepreneurs in Montreal to ten thousand before 2020.

According to Réseau Capital, 2014 saw the highest levels of VC outlay in Quebec since 2007, with \$604 million invested. 2015 was also a banner year for venture capital investment in the city. Notable Montreal VC funds include Real Ventures and iNovia Capital. Rho Ventures and BDC also invest, mostly Series A funding rounds for local startups.

Anges Québec (Quebec Angels) has produced several new capital funds with specific focuses, like Edo Capital (food), and Interaction Ventures (e-commerce). XPND Capital and MLA Ventures are also active.

The largest accelerator in Montreal, Founder Fuel, sponsored by the Real Ventures Fund, has graduated more than 50 startups. A local chapter of the Founder Institute has also launched recently, and social innovation incubators also thrive, including Impact 8 (led by Toronto's MaRS Centre for Impact Investing) and À Go, on change le monde (sponsored by the Institut du Nouveau Monde). University accelerators like Start-Up Campus and the IEBN Accelerator (Université de Montréal), District 3 (Concordia), and now X-1/Dobson (McGill) round out the mix.

The City of Montreal also gotten into the act, creating an accelerator focused on smart city development called InnoCitéMTL. Other specialized accelerators include EcoFuel (green tech), Execution Labs (video games), Hacking Health (med tech), and Tandem Launch (university partnerships).

Ground zero for Montreal startups is the Notman House. Dozens of other co-working spaces have also sprung up around the city. Local universities are also actively incubating local startups. The city's old Dow Planetarium is being transformed into a creative space for startups.

Montreal is not part of the Startup Visa program as the province of Quebec has its own immigration program.



# ABOUT LATAM STARTUPS

LatAm Startups is a not-for-profit organization based in Toronto connecting the Latin American and Canadian startup ecosystems.