

CANADA

STARTUP ECOSYSTEM REPORT

JANUARY 2021

CONTENT

OVERVIEW	3
Global competitiveness index 2019	5
STARTUP COMMUNITY	6
Government initiatives	6
Incubators and accelerators	8
Startups	10
INVESTMENT	12
OPPORTUNITIES FOR PORTUGUESE STARTUPS	14
CONTACTS	15

OVERVIEW

For over 70 years Portugal and Canada have shared strong relations. This is made stronger through the various benefits of progressive trade between the two countries and how the Comprehensive Economic and Trade Agreement (CETA) is helping create good, middle-class jobs and new opportunities for people on both sides of the Atlantic. The relationship is founded on common values, deep and significant people-to-people bonds, and mutually beneficial commercial relations. Two-way merchandise trade between Canada and Portugal totalled nearly \$848 million in 2017, with Canadian exports valued at \$270 million.

On September 21, 2017, the provisional application of CETA took effect. CETA provides new opportunities for Canadian and Portuguese businesses and aims to enhance trade and investment in both countries. The agreement provides Portuguese businesses with greater access to the world's largest integrated market, with over 510 million consumers and a GDP of \$22 trillion, and will help eliminate barriers in virtually all sectors and aspects of Canada-EU bilateral trade. Through this agreement, Portuguese businesses can access the Canadian market and all it has to offer.

Canada has shown itself to be a renowned destination for innovation. From the invention of the telephone to the development of the pacemaker and the creation of the space shuttle's robotic arm, Canadian technologies have changed the world, which is no surprise that Canada is one of the leading countries in the startup space today.

In 2020 Canada's capital city Toronto ranked fourth as a startup ecosystem

globally. Toronto, Vancouver, and Montréal are listed in StartupBlink's top 50 ecosystems. Yet despite being ranked fourth in the world, Canada has fallen one spot in StartupBlink's 2020 global startup ecosystem rankings. StartupBlink said the main cause for separating Canada from the top three countries is its ability to create unicorns and highly popular startups.

Yet smaller ecosystems across Canada are coming into their own with a strong focus on verticals of software, data, e-commerce and retail. In contrast to the United States, the ecosystems of Canada are regionally disconnected, however, this has not proven to be a disadvantage. A familiar name will be the tech giant, Shopify which came out of Ottawa, and has continued to reign as one of the best e-commerce platforms globally. In the Top 100, the cities of Ottawa, Edmonton and Calgary have shown impressive gains in 2020. Kingston has also seen its ecosystem rise to a Top 150 – among 1000 cities. The growth of the smaller ecosystems is a very positive sign for developments in the future. Canada now has 2.9 percent of the top 1,000 ecosystems globally.

The strength of Toronto's startup ecosystem is fueled by the city's highly educated and globally connected talent pool and a unique set of support programs that foster innovation and collaboration. At its core is a diverse cluster of business incubators and accelerators that offer a range of services and strategic partnerships to support sectors from technology and biotechnology to food manufacturing, fashion, design and music. These organizations have contributed to growing some of the most cutting-edge startups in North America.

Besides, the Toronto-Waterloo corridor is an innovation centre with the second-highest startup density in the world, second to Silicon Valley. It is the second-largest technology cluster in North America, with roughly 15,000 companies and 300,000 tech workers. Perfectly situated for growth in the global marketplace, the Corridor connects to a major airport, a dynamic network of highways, transit and rail, and boasts proximity to the US market.

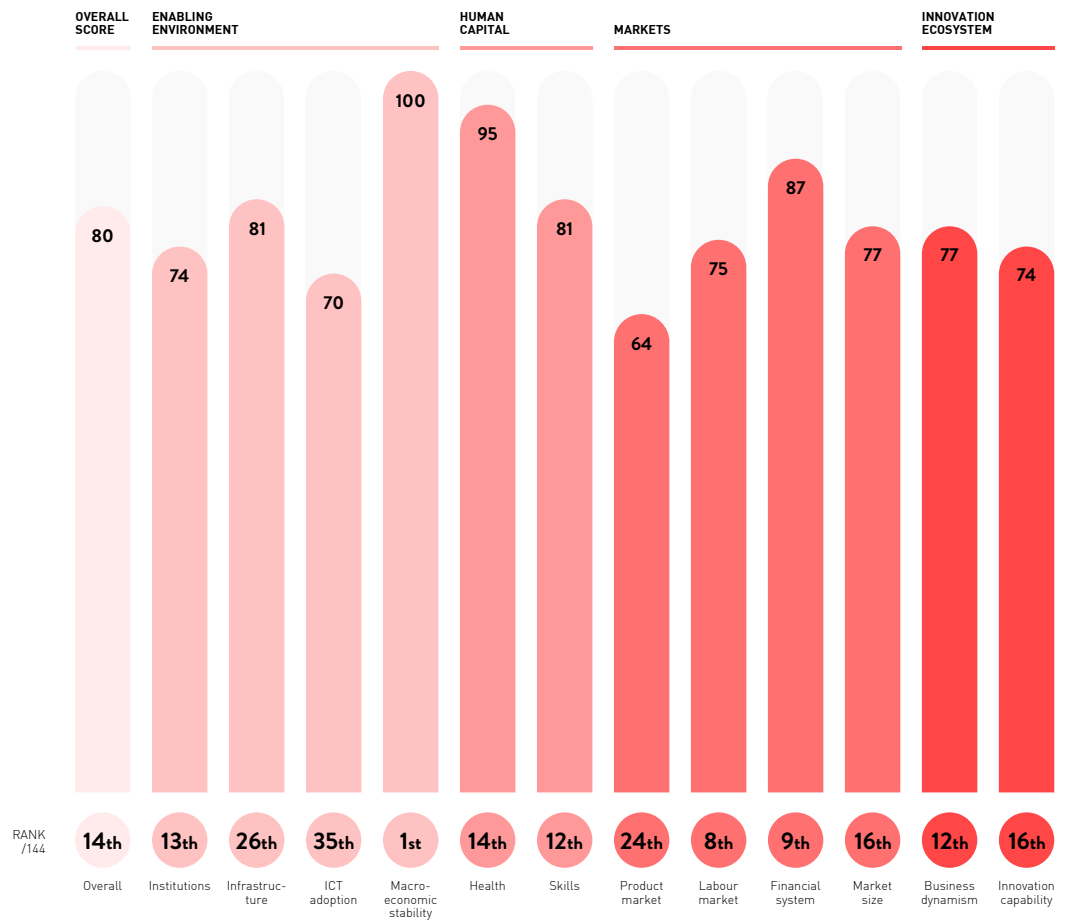
The Canadian startup ecosystem is further complemented by the creative cultural startup hub of Montreal, where the bilingual and multicultural city was named the Cultural Capital of Canada. Montreal also earned the designation of "City of Design" by UNESCO in 2006. This unique, vibrant city is home to a remarkable close-knit community of entrepreneurs that can inspire and support startups along the way. Montreal offers funding opportunities and access to many government grants and investment firms, it has the best

student city in the Americas, providing Canada's largest centre of university research. It is a city widely known for its competitive cost of living which makes it an irresistible place to establish as an entrepreneur.

To complement and access this nationwide workflow, Portugal is equally committed to an ambitious transatlantic relationship and a stronger bilateral partnership with Canada. The Portuguese Embassy works both at the Federal and Provincial levels to develop new avenues of cooperation between our two nations to bring about even more trade, more investment, more tourism, more contacts between our civil societies as well as stronger political, cultural and educational ties.

Overall, there are signs that the ecosystem as a whole is gaining momentum, undoubtedly supported by the focus on ecosystem development, government incentives and increased financing.

GLOBAL COMPETITIVENESS INDEX 2019 14th/144



SELECTED CONTEXTUAL INDICATORS

Population millions	37.0	GDP (PPP) % world GDP	1.36
GDP per capita US\$	46.260,7	5-year average FDI inward flow % GDP	2.5
10-year average annual GDP growth %	2.0		

SOCIAL AND ENVIRONMENTAL PERFORMANCE

Environmental footprint gha/capita	9.2	Global Gender Gap Index 0-1 (gender parity)	0.8
Renewable energy consumption share %	22.0	Income Gini 0 (perfect equality) - 100 (perfect inequality)	34.0
Unemployment rate %	5.9		

STARTUP COMMUNITY

GOVERNMENT INITIATIVES

// SUPPORT

The Canadian government has a variety of support departments and programs available.

01. Federal Challenge-Based Programs

Innovation Canada allows entrepreneurs to match their businesses with the best fitting programs and services from across federal, provincial and territorial government in 2 minutes.

The Global Talent Stream Program was launched in 2017 by the federal government to make it easier for businesses to hire highly skilled global workers. This has brought more than 40,000 people to Canada, including 24,000 in areas of computer programming and software engineering.

Innovation for Defence Excellence and Security (IDEaS) was announced in Canada's defence policy, Strong, Secure, Engaged and commits to \$1.6 billion of investment in innovations for defence and security over the next 20 years. The program is looking for your solutions to support the development of defence and security capabilities.

Impact Canada Initiative (ICI) is a whole-of-government effort that will help departments accelerate the adoption of outcomes-based funding approaches to deliver meaningful results to Canadians. Outcomes-based funding approaches represent a new way of managing grant and contribution funding that shifts the traditional emphasis on process and outputs, towards one where payments are tied to the achievement of measurable economic, environmental, and/or social outcomes.

The Innovation, Science and Economic Development Canada (ISED) department work in all areas of the economy and in all parts of the country to improve conditions for investment, enhance Canada's innovation performance, increase Canada's share of global trade and build a fair, efficient and competitive marketplace.

In this department there are a number of programs that can support startups in Canada, these include innovation funding and support, support for technology innovation - where businesses have access to the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) that provides advice, connections, and funding to help Canadian small and medium-sized businesses increase their innovation capacity and take ideas to market

02. Provincial and Territorial Programs

The Government of Ontario's Small Business Innovation Challenge (SBIC) program aims to support the growth of high potential, technology-driven, small-to-medium-sized enterprises in Ontario. While the BC Startup in Residence (STIR) program is a pilot experiment to bring the ideas and expertise of startup tech companies together with government business areas to co-develop technology solutions that will improve the services delivered to British Columbians.

The BC Innovation Council (BCIC) programs encourage the development and application of advanced or innovative technologies to meet the needs of industry in British Columbia. There is also Alberta's Small Business Innovation and Research Initiative

(ASBIRI) which develops relationships with industry partners to identify challenges in their operations and invite small and medium-sized enterprises to develop a technology-based solution.

In Toronto specifically, there is [StartUP HERE Toronto](#), a collaborative economic development initiative launched to support the growing startup and innovation community in Toronto. The purpose of StartUP HERE Toronto is to connect entrepreneurs to programs, resources and events to help them start, grow and scale their business in Toronto, no matter the sector, be it food, fashion, music or manufacturing. Some of StartUP HERE Toronto programs include coworking spaces, training, incubation, financing and competitions.

The city of Montreal also has support systems in place for entrepreneurs and startups through Montreal International. [Montreal International](#) contributes to building Greater Montréal's international reputation and prosperity by acting as a driving force for economic development in the city. They aim to attract direct foreign investment, international organizations, entrepreneurs, talented workers and international students to the region. Montréal International also leads the Contact MTL initiative, a network of ambassadors for Greater Montréal that aims to spread the word around the world about what's going on in the region's economy.

Montreal is further supported by [Bonjour Startup Montreal](#), an NGO working closely with the city of Montreal to facilitate the creation, growth and visibility of Montreal startups. Bonjour Startup Montréal is helping startups find their feet in the ecosystem, from assisting in formulating a company, to providing co-working space and innovation hubs.

Last but not least there is also the [Brookfield Institute for Innovation +](#)

[Entrepreneurship \(BII+E\)](#) whose focus is on underserved communities to support broad-based inclusion in the innovation economy. While the institute focuses on all aspects of innovation and entrepreneurship, it endeavours to provide special attention to youth-focused opportunities, educational partnerships, programs and initiatives. BII+E programs include [Canada's Economic Recovery from COVID-19, Skills for an Innovation-Driven Economy, AI + Society, Women Entrepreneurship Knowledge Hub \(WEKH\), Building inclusion and equity into Canada's innovation economy, and An Inclusive Innovative Monitor for Canada.](#)

// FUNDING

The Government of Canada has formed a \$1.26 billion Strategic Innovation Fund to provide funding to inventive startups and the Ontario Network of Entrepreneurs supports around 130 nonprofits across Ontario to help innovations. As a result, Canada is one of the top 15 countries in the world to access available funding.

Here are a few of the active Research and Development funds available from the [Canada Foundation for Innovation.](#)

- a. **[Innovation Fund](#)** - The Innovation Fund provides investments in infrastructure, across the full spectrum of research, from the most fundamental to applied through to technology development.
- b. **[Major Science Initiatives Fund](#)** - The Canada Foundation for Innovation was mandated by the Government of Canada to design a systematic approach to evaluate and address the operating and maintenance funding needs and the scientific performance of national research facilities.
- c. **[Exceptional Opportunities Fund](#)**

- the Exceptional Opportunities Fund is designed for those very few instances when an exceptional research opportunity would be missed if a project had to wait to undergo the normal course of a national competition before a decision could be rendered.

Other funding opportunities include:

- a. **Canada Small Business Financing Program** - This is a loan program in collaboration with financial institutions for purchasing or improving land and buildings used for commercial purposes; purchasing new or existing renovations to premises occupied by the business as a tenant; or, purchasing or improving new or used equipment. It is limited to Small businesses or startups operating for profit in Canada, with gross annual revenues of \$10 million or less.
- b. **Startup financing** - providing funds to help Canadian businesses in the startup phase who have been in operation for at least 12 months and have generated revenues turn

their business ideas into reality. This program is operated by the Bank of Canada.

// VISA OPPORTUNITIES

The Canadian Startup Visa Program is a permanent resident visa that targets immigrant entrepreneurs with the skills and potential to build businesses in Canada. The program calls entrepreneurs who are innovative, can create jobs for Canadians and who can compete on a global scale. To be eligible for the Startup Visa entrepreneurs must:

- Have a qualifying business
- Get a letter of support from a designated organization
- Meet the language requirements
- Bring enough money to settle

The application is done online via a digital form, supported by necessary documents, signatures, language test results and proof of payment of the processing fees.

INCUBATORS AND ACCELERATORS

There are 118 Accelerators & Incubators in Canada. Here is a list of the most exciting ones.

01. MaRS

MaRS is a startup accelerator. Accepts startups working in the Cleantech, FinTech, Health, Education. From advisory services to connections to talent, capital, customers and more, MaRS offers a range of high-value services that help high-growth companies succeed. It also provides access to the MaRS ecosystem, a curated community of entrepreneurs,

investors, corporates, academics and government partners.

02. Creative Destruction Lab

Creative Destruction Lab is a nonprofit organization that delivers an objectives-based program for massively scalable, seed-stage, science- and technology-based companies. Offering 15 workstreams including AI, AG, Blockchain, Climate, Recovery and Quantum to name a few, the Lab operates within five sites in Canada, two in the United States, and two in Europe. The Lab has 509 investments,

comprising a total of 29.5 million dollars in funding.

03. Innovation Factory (iF)

iF is a non-profit business accelerator, providing entrepreneurs with business services, training, mentorship and strategic connections to help bring your disruptive technologies to market, increase revenues, attract investment and create jobs. Serving as the catalyst for tech innovation in the greater Hamilton area since 2010, they assist entrepreneurs by bringing new ideas to life and to market, getting Small/Medium Enterprises to the next level, providing Hamilton to build a dynamic culture and a community of innovation, and make it work everywhere. They work to elevate key industry sectors including advanced manufacturing, clean tech, information technology, integrated mobility, life sciences and health care and social innovations.

04. OneEleven

OneEleven is home to a community of high-performing technology scaleups. Membership in OneEleven unlocks unparalleled access to a highly curated peer network, investment capital, best-in-class partners, on-demand services, and strategic support designed specifically to help businesses successfully navigate periods of substantial growth. OneEleven has a 98% scale rate, over 500 million dollars in flow-on financing, and supports over 70 startups.

05. ventureLab

ventureLAB is a leading technology hub that supports tech entrepreneurs and small businesses. Located in York Region, Canada's densest technology cluster, ventureLAB has supported over 2,000 entrepreneurs in a region that is home to over 4,300 technology

companies and 65,000 tech jobs. ventureLAB's 50,000 square-foot innovation hub is home to over 45 tech companies and innovation partners that employ over 300 people. At ventureLAB, they support tech entrepreneurs through programs focused on capital, talent, technology, and customers, to advance Canada's economy on a local, national and global scale.

06. The DMZ

The DMZ provides high-impact, high-intensity and highly customized programs for the best and brightest founders in the world to validate, build and scale their tech startups – fast. The DMZ is a world-leading incubator for tech startups in Canada. They help startups build great businesses by connecting them with customers, capital, experts and a community of entrepreneurs and influencers. DMZ has 492 startups incubated, 934 million dollars in funding, and has created 4201 jobs.

07. The Founder City Project

Started by four-time founder, Ben Baldwin, the Founder City Project has grown from 6 to 1,000+ founders and teams in just over 2 years. Their monthly goal-achievement framework requires 1/5 of the time/cost that founders and teams normally invest to build trust, alignment, and execute their strategy.

08. Centech

Startup accelerator firm focused on the med-tech, aerospace and smart cities sectors. They run a 12-week long program offering mentorships, workshops, coaching sessions, access to experts, office workspace, funding and access to labs, and networking opportunities. Portfolio companies include Brite4, CVT corp, Evey, etc.

STARTUPS

With a diversified and technologically advanced economy, it is no surprise that Canada is home to many startups and tech companies. Thanks to a mature startup ecosystem, Canada has helped a number of its local startups to expand nationally and launch their development across the world.

01. Klue

Klue provides a lens into a competitor's world, continuously updating and connecting dots to help users win more business. It's a new way to capture, manage, and communicate market insights from the web and across the company, in platforms many already use.

02. Coconut Software

Coconut provides an enterprise-grade appointment scheduling solution that redefines how customers interact with organizations while maintaining unparalleled levels of security and compliance. Coconut is used by many of the world's largest firms, such as Jackson Hewitt, London Drugs, Rogers, and TELUS.

03. Coveo

Coveo provides Artificial Intelligence-powered search and recommendation engines. It helps organizations deliver personalized experiences through contextually relevant information at every interaction in their customer relations management, customer service applications, intranets, and websites. Coveo logoIndustry: Enterprise Software – Total funding: \$339.4 Million.

04. BrainBox AI

Headquartered in Montreal, the startup's ultimate goal is to save the planet with artificial intelligence, using

self-operating software to maximize HVAC performance. With such a useful invention, the company saw its staff double in 2020 and added customers from 16 countries.

05. Crescendo

Crescendo is a startup that trains users to foster inclusion among co-workers. This year, as people shifted to remote work, and the stresses of America's election and racial reckoning rippled around the world, Franch knew her tool was uniquely positioned to bring teams together. The result: hundreds of new clients, six-fold revenue growth in the first four months of the pandemic, and almost \$50,000 in sales donated to organizations empowering Black communities.

06. CarbonCure

Halifax-based CarbonCure is now considered one of Canada's most exciting and ground-breaking cleantech companies. Led by president Jennifer Wagner, the company has developed a technology that allows CO2 to be permanently trapped in the concrete as it sets, reducing the carbon footprint of projects without compromising the quality. (In fact, this process makes the concrete stronger.) Its technology is rapidly expanding into new markets and is already being used across three continents.

07. Drop Mobility

Drop Mobility works closely with cities to harmoniously integrate bicycles and scooters with transit networks, and do right by the environment. In 2020, Drop expanded to five U.S. cities, generating more than \$1 million in revenue as people sought open-air transit alternatives.

08. Wysdom.AI

Wysdom.AI developed a software system that guides and interacts with humans using natural language. Wysdom.AI's tech works for clients in all sectors, from retail and telecom to banking and utilities, and as the pandemic forced companies to digitize their services, the startup increased its staff by 25 per cent in 2020, with further growth planned for the new year.

09. Mosaic Manufacturing

This startup founder Mitch Debora, made a living for himself and his dozens of employees upgrading 3D printers for multi-colour, multi-material creation. Simple and affordable, the tech allows for prints that are more vibrant, beautiful, lasting and multi-use. While 2020 was gruelling for most businesses,

they witnessed a powerful change in customer sentiment toward domestic manufacturing solutions, especially as foreign supply chains collapsed. And the move helped solidify Mosaic as one of the most widely-used printing platforms in the world.

10. Axonif

Carol Leaman oversees Axonify, a front-line training leader and a new member of the World Economic Forum's prestigious group of Global Innovators. Of the company's many successes this year, Axonify's partnership with Walmart Canada stands out — the company will help train and educate 5,000 supply-chain associates in critical safety concepts. Not bad for a startup from Waterloo that already boasts more than three million users working in 150 countries.

INVESTMENT

As it stands, Canada's startup ecosystem is valued at 17 billion dollars compared to the global average of 10.5 billion dollars. Many companies ended 2020 with more capital on hand, resulting in a renewed urgency to deploy that capital in the post-pandemic global economy. Today investors are looking for markets with political and economic stability, openness to trade and investment, access to the world's wealthiest markets and the talent and innovation to deliver world-class results.

In search of this, Canadian investors have implemented an outward approach to investment in 2021, viewing an increase in trade flows and financing as critical factors to recovery. This is especially the case in sectors that have been disrupted by the pandemic such as advanced manufacturing, travel, tourism and agribusiness.

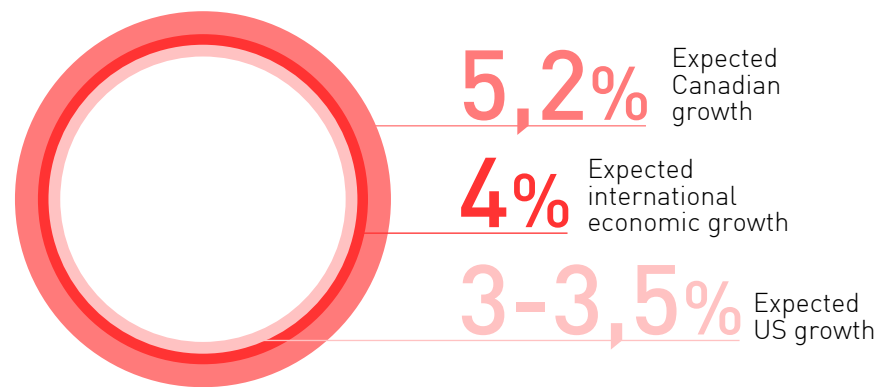
Investors have specifically been looking to environmental, social, and corporate governance (ESG) principles when deciding on financing deals and have become fundamental to the investment decision. Canada is well known to be an attractive destination for investors making ESG-influenced decisions. Bold action on climate change, ample availability of socially responsible investment opportunities, and unmatched corporate governance are all factors that will encourage more investment all across Canada.

Venture capital disbursements to Canadian startups have continued to set a record pace since 2019. This success has been supported by the governments [CanExport Community Investments](#) program which provides financial support to communities for their foreign direct investment initiatives and activities. The program provides support to Canadian communities seeking to improve their capacity to attract, retain and expand FDI in order to create jobs for Canadians, support innovation and increase exports.

One of the leading capital investment companies, [BDC Capital](#), is playing a vital role in supporting the next wave of Canadian innovation. As the investment arm of BDC, the only bank in Canada devoted to entrepreneurs, BDC Capital supports more than 700 growing technology companies throughout the country. As the country's most active venture capital investor and a for-profit Crown corporation, BDC Capital has a unique mandate and acts as a first mover, supporting opportunities the market has overlooked.

Canada's 2021 economic outlook is similar to that of other developed countries: after the largest economic contraction since 1945 (a dip estimated at 5.5% of GDP), the economy should grow sufficiently to largely offset the losses of 2020.

// THREE KEY STATS FOR THE CANADIAN ECONOMY IN 2021



Strong consumption and a rebound in exports will give the Canadian economy a boost. Bringing forward government investment projects should also provide a tailwind to Canadian economic growth. Conversely, the postponement of business investments and a slowdown in the housing market will limit the extent of the recovery.

While Canada has been making leaps in the area of venture capital, as it is still comparatively behind its neighbour, it needs to scale higher to retain and support startups in its ecosystem.

OPPORTUNITIES FOR PORTUGUESE STARTUPS

Canada can offer various opportunities for startups from around the world such as access to innovative minds in technology, the proximity to some of the industry's most influential brands, and the vast networking opportunities in both startup and investor communities. In addition, Canada offers strong economic growth, low taxes and low business costs. The Startup Visa program was the first program of its kind globally, providing international entrepreneurs with the opportunity to become permanent residents to start their businesses in Canada.

Among these opportunities is access to a well-stocked talent pool. With some of the top technical universities in the world, including the University of Toronto, the University of BC and McGill and Waterloo, Canada offers an enormous amount of tech talent without the cutthroat competitiveness of other technology hubs in neighbouring countries. Moreover, as a growing number of graduates settle into local metros, entrepreneurs are able to gain a stronghold on a critical mass of talent in a relatively short amount of time.

Similar to Portugal, Canada enjoys a lower cost of living without sacrificing quality. In fact, Canadian cities are typically ranked among some of the most livable in the world and the extremely favourable tax incentives for software companies and startups are highly positive. In this case, Canadian-based businesses are allowed to claim Scientific Research and Experimental

Developmental (SR&ED) tax deductions, enabling them to write off virtually all costs related to software development. With so much at stake in a company's first few years of operation, the ability to build great teams and great products or services can offer tremendous advantages.

Portuguese startups looking into operating a business in Canada could find it advantageous is working in Artificial Intelligence (AI), Big Data and Analytics. The province of Ontario has allocated \$350 million to focus on the development of AI, 5G, autonomous vehicles, and other technologies. Corporations such as Google and Uber have set up AI R&D centres in the region. CIFAR, the Vector Institute, and Waterloo.ai drive local AI investment.

Another strategic sector open to opportunities in Canada is Life Sciences. Ontario ranks seventh in Life Sciences employment in North America, and approximately 30,000 professionals in Toronto contribute around \$2 billion to the local economy. The MaRS Discovery District supports commercialization with local hospitals and is home to the JLABS incubator with 49 early-stage life science companies.

Lastly, investors can apply for the innovation equity tax credit on investments of up to \$250,000 in Canada and companies may receive a tax credit of 45 percent for investment in oceans technology and life sciences.



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