# Venture Pulse Q1 2021

**Canadian analysis of venture funding**

April 2021

# Welcome message

Welcome to this special Q1'21 Canadian edition of the KPMG Venture Pulse quarterly report. We are pleased to have this opportunity to highlight the major achievements, trends and outlook for venture capital (VC) investment in Canada.

After a near-record year in 2020 for capital raised at $120.3 billion, the global VC environment kicked off Q1'21 with over $43 billion committed already in the first quarter of 2021. The results in Canada are no exception, surging to a high of $2.5 billion in deal value.

Valuations also rose as many VC investors continued to turn their attention more toward later-stage opportunities, leading to fierce competition for these deals and an acceleration in deal speed. The pandemic accelerated digital transformation for many businesses and helped both consumers and companies see the art of the possible. As a result, investors have poured their money into companies that experienced accelerated growth during the pandemic, such as software, fintech, healthtech, edtech, and logistics and delivery.

In this special Canadian edition of the Venture Pulse report, we take a closer look at what contributed to this surge in Canada's venture capital environment and the trends to watch for 2021.

As we look ahead, there is a strong sense of optimism permeating the VC market in Canada, and investment is expected to remain robust heading into the next quarter.

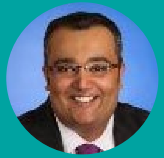
Here are some of the trends that we are watching closely:

- Corporate investment is expected to remain particularly strong in the second quarter.
- Investors will be looking longer-term to determine the companies and business models that are likely to thrive in the post-pandemic environment. B2B solutions and fintech will likely remain high on the radar of investors and there could also be a bump in interest related to industries devastated by the pandemic but expected to make a strong comeback, such as travel and tourism.
- Global companies will likely continue to build small AI hubs around major cities in Canada.
- Questions about the sustainability of record-high and rising valuation levels are gaining steam.
- Investors will be more selective about where they direct their money as they focus on scaling up investments they have already made.
- A continued robust Q2'21 is also expected for IPOs, fundraising and strategic M&A activities.

If you would like to explore any of this information in more detail, please contact a KPMG in Canada adviser.

**Helping companies optimize growth and manage risk.**

At KPMG in Canada, we understand the issues affecting global technology providers. Our professionals bring extensive industry knowledge and deep technical experience as the advisors of choice to some of Canada's most well regarded companies and the worlds' most celebrated technology brands.



**Anuj Madan**
Partner, National Industry Leader, Technology, Media and Telecommunications, KPMG in Canada

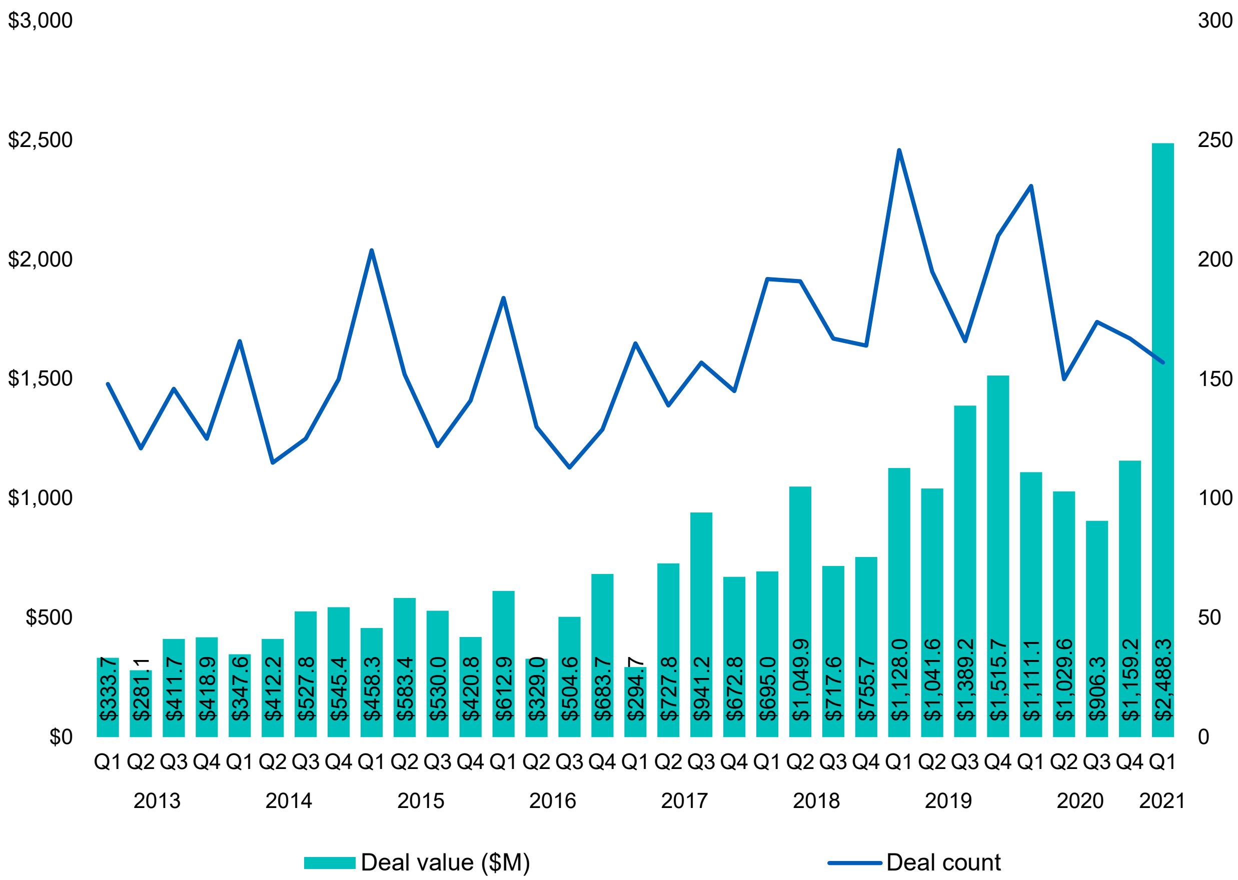
**Dan Wilson**
Partner, National Sector Leader, Technology, KPMG in Canada

**Sunil Mistry**
Enterprise Partner, Technology, Media and Telecommunications, KPMG in Canada

# A boom in VC investments to start 2021

## Venture financing in Canada

2013–Q1'21




Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 18, 2021.

The venture capital boom that Canada experienced in Q1'21 actually began in the latter half of 2019, helped significantly by several late-stage fundings. An even larger surge was seen in VC investment in the first quarter of 2021, resulting in a five-quarter-high total deal value of $2.5 billion across 150 deals.

This surge was driven by five separate rounds of $100 million or more and spanned multiple industry segments, including the blockchain platform Dapper Labs, which raised $350 million, and High Power Exploration, an exploration and production platform, that raised $200 million to explore new base metals.

**Five separate companies raised $100M or more in the Canadian ecosystem.**

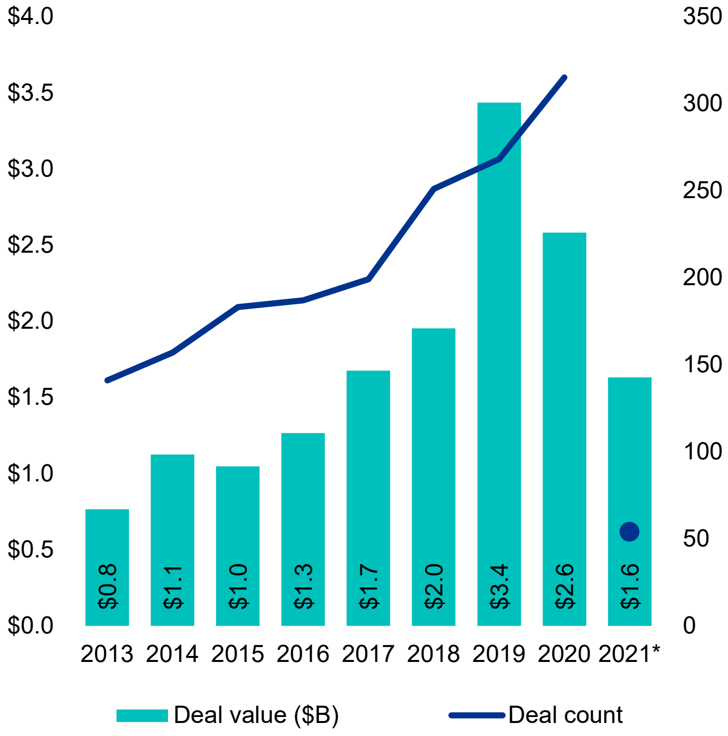
"The entrepreneurial spirit is alive and well in Canada with foreign capital increasingly focused on funding promising ideas and companies. While foreign investment is on track for record funding this year, we are also seeing Canadian VC firms becoming more active in later-stage rounds."

**Sunil Mistry**
Enterprise Partner, Technology, Media and Telecommunications, KPMG in Canada

# Canadian companies being funded increasingly by growth stage VC's in Canada

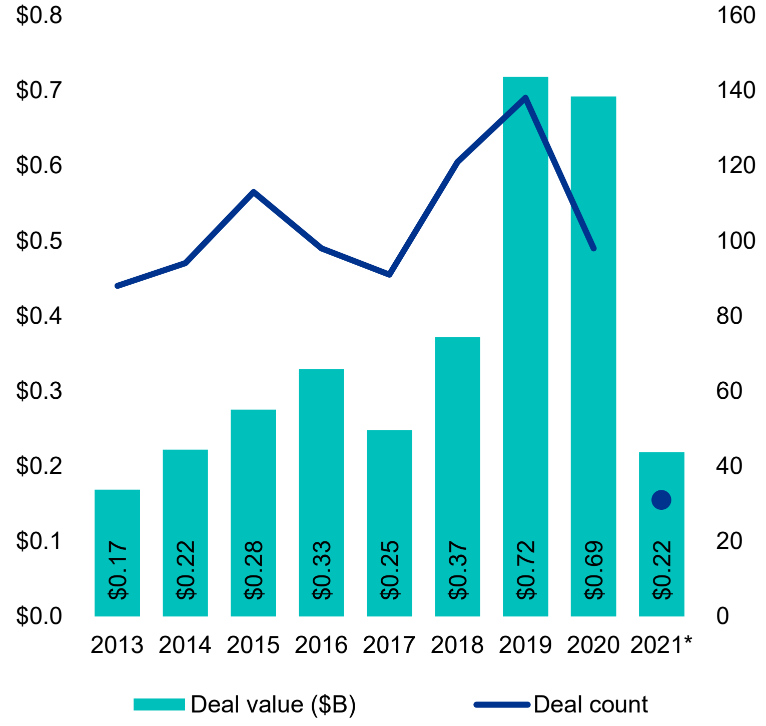
## Venture financing in Canada with US-based investor participation

2013–2021*




## Venture financing in Canada with foreign (non-US) investor participation

2013–2021*




Source: Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 18, 2021.

"The maturating of the Canadian VC market with more growth stage funds has allowed Canadian companies to scale with local investors who have increasingly sophisticated operational expertise and in-house capabilities to support the growth of their portfolio companies."

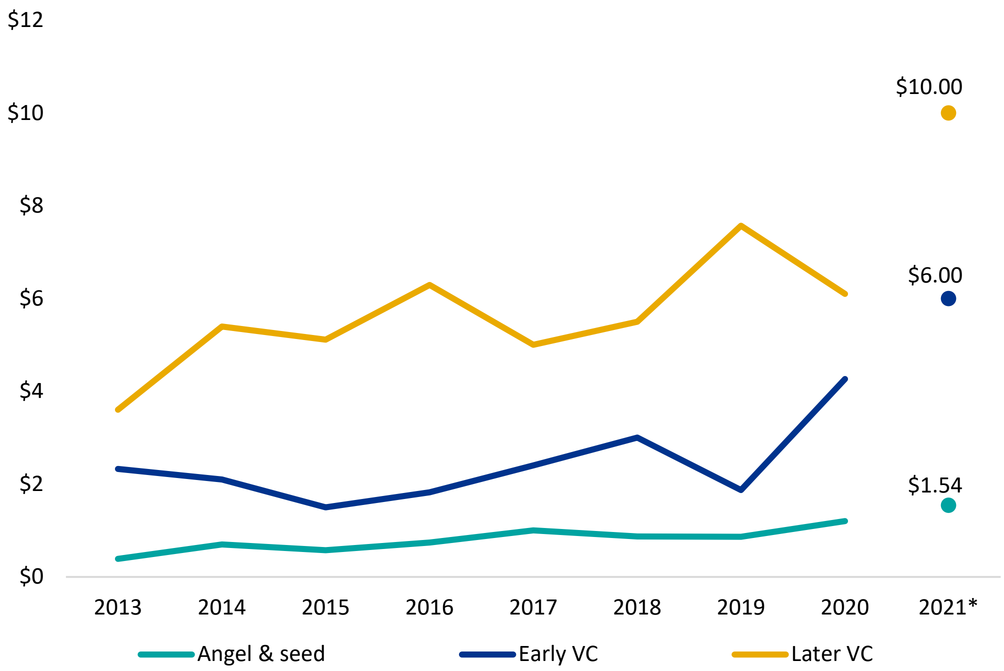
**Dan Wilson**
Partner, National Sector Leader, Technology,
KPMG in Canada

KPMG

# The late-stage median round size nearly doubles year-over-year

## Median financing size ($M) by stage in Canada

2013–2021*




Source: Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 18, 2021.

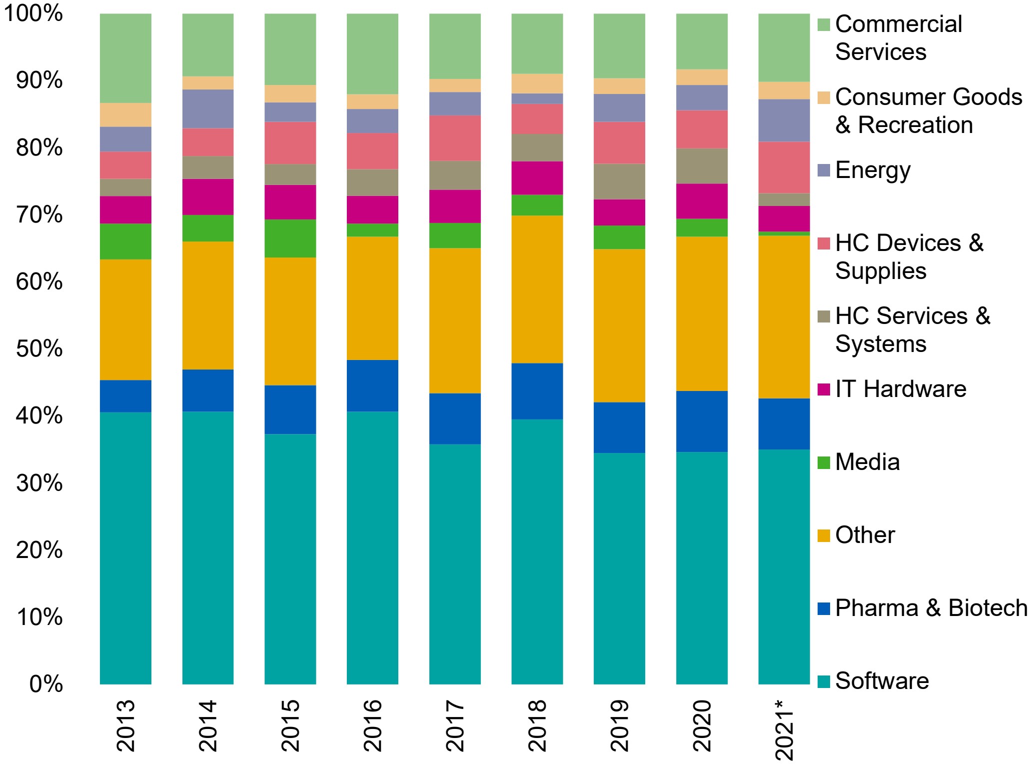
With a growing cohort of mature companies in Canada that are able to raise nine-figure rounds, late-stage financing sizes have soared the most year-over-year. As these cohorts continue to expand, it is likely that the median financing size will remain elevated across Canada. Historically, big funding rounds in Canada were driven by US investors. While US investment remains strong, domestic Canadian VC firms are becoming more active in later-stage rounds.

Outside investor support and growing interest, plus burgeoning supplies of dry powder worldwide that is earmarked for venture investment across the global fund manager universe, have all led to rising valuations and financing sizes in many ecosystems. Canada is no exception. With its growing cohort of mature companies that are able to raise nine-figure rounds, late-stage financing sizes have soared the most year-over-year. As such cohorts continue to expand, it is likely the median financing size will remain elevated prior to historical tallies due to the combined factors of record dry powder and viable tech companies within the Canadian venture ecosystem.

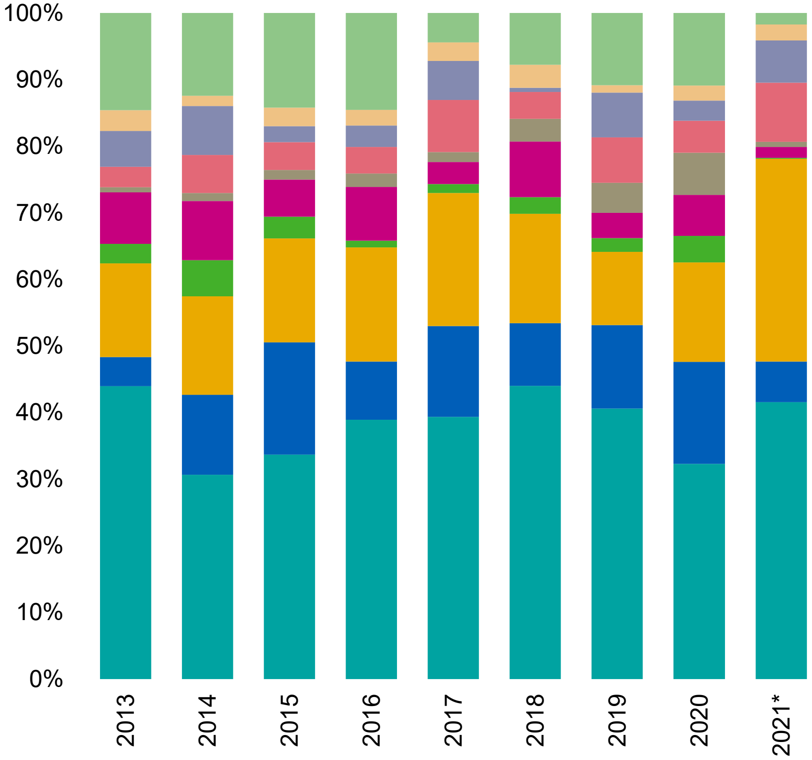
**As mature cohorts of companies continue to expand, it is likely median financing metrics will continue to rise or at least stay high across the Canadian ecosystem.**

# Software continues to hold a plurality

**Venture financing (#) by sector in Canada**
2013–2021*




**Venture financing ($) by sector in Canada**
2013–2021*




Source: Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 18, 2021.

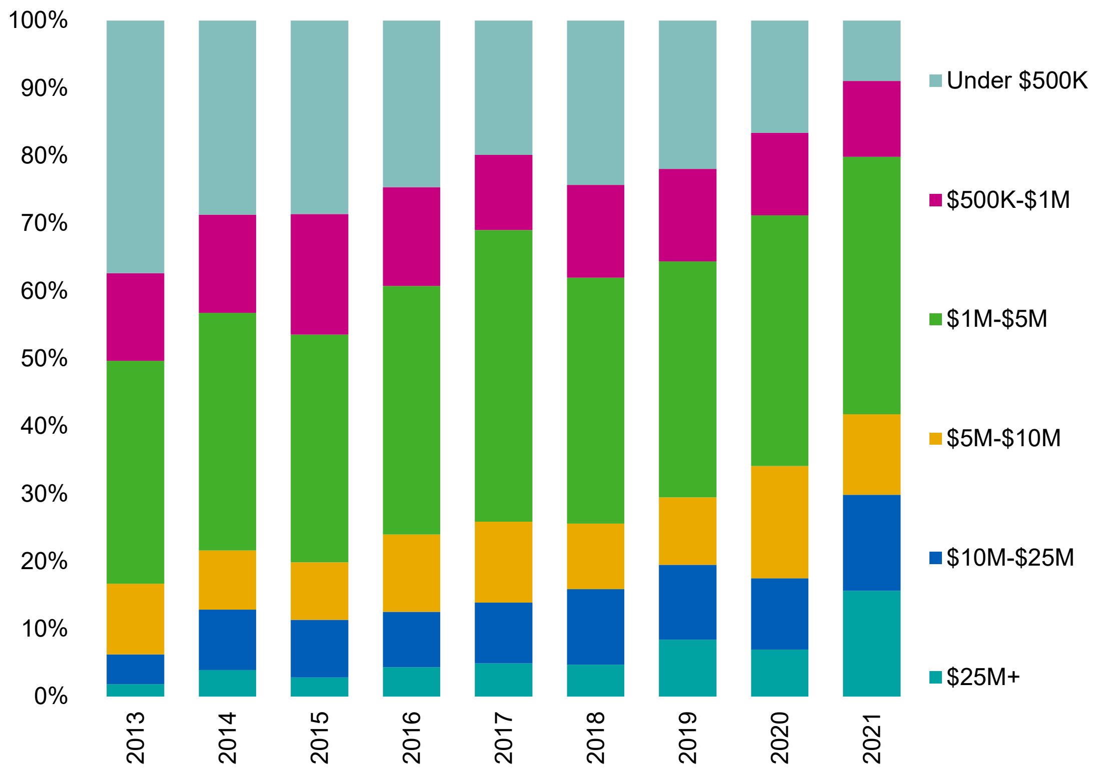
"With the onslaught of the pandemic, investors are increasingly finding the technology sector and specifically Software as a Service (SaaS) as a safe haven for investment. These sectors have shown more resilience and are attracting longer term capital. Entrepreneurs, strategic corporates and venture funds are doubling down on innovation within the country and we are very bullish on the outlook for the technology sector."

**Anuj Madan**
Partner, National Industry Leader, Technology, Media and Telecommunications, KPMG in Canada

# Funding trends steadily move toward larger end of the market

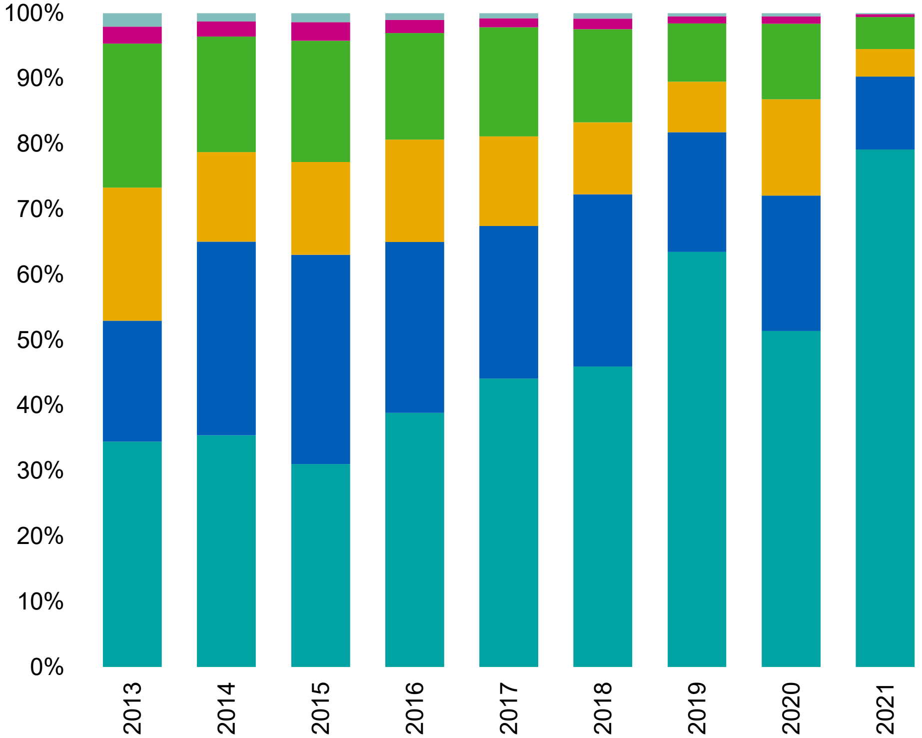
## Venture financing (#) by size in Canada

2013–2021*




## Venture financing ($) by size in Canada

2013–2021*




Source: Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 18, 2021.

# VC investment flourishes across Americas

## Double digit growth in VC investments and IPOs

In Q1'21, VC investment in Canada came close to doubling its previous quarterly record, with a $305 million raise by Dapper Labs, which also became a unicorn during the quarter along with cloud-based healthcare software provider PointClickCare. There was also a $130 million raise by the edtech company, Top Hat.

The overall size of VC deals in Canada continued to grow with 21 deals of more than $25 million in Q1'21, compared to a total of 38 deals in all of 2020.

Corporate VC investment remained very high globally, as many established businesses continued to accelerate their digital efforts and look for innovative startups that could help improve their digital products and services, and enhance the efficiency of their internal operations. In Canada, corporate investment was very strong, accounting for $826 million in Q1'21, which was close to half of the total corporate VC investment that Canada saw in all of 2020.

In Canada, notable exits included Nasdaq, Inc.'s acquisition of Verafin, an anti-financial crime management solutions provider, for $2.7 billion, and several technology company IPOs.

## Sector leaders

COVID-19 was a shock to the world. The second quarter of 2020 took the brunt of the pandemic's impact on investor confidence, however, there was increased momentum in the second half with mature companies raising capital, which carried over into the first quarter of 2021.

The technology environment continues to diversify and grow across Canada. This is due, in part, to the country's strong colleges and universities, and the federal government's support of innovation.

The pandemic actually increased funding in many areas as investors looked to get in on technology companies seeing a rapid acceleration in demand, including areas like software-as-a-service, delivery, and a wide-range of consumer-focused digital solutions – from edtech and gaming to digital health services.

Canada attracted several fintech deals, including wealth-management-as-a-service platform Purpose Financial's $53 million raise[1], and at-risk customer engagement platform Symend's[2] $43 million raise.

## Trends to watch for in 2021

With a strong sense of optimism permeating the VC market, VC investment is expected to remain robust in Canada heading into Q2'21 – with corporate investment expected to remain particularly strong.

Exit activity is also expected to remain high, including strategic M&A and IPO activity. Special Purpose Acquisition Companies (SPACs) transactions will likely also gain steam given the number of SPACs being created, with heightening interest from companies outside of the US.

[1]https://betakit.com/purpose-financial-secures-53-5-million-cad-investment-from-allianz-x/
[2]https://betakit.com/symend-eyes-global-markets-with-54-million-cad-series-b-extension-led-by-inovia/

# About us

KPMG in Canada's Technology, Media and Telecommunication (TMT) professionals have deep hands-on experience with the entire lifecycle of starting up, growing and exiting high-growth tech companies. Our clients include many of Canada's most celebrated tech stars. Whether you are entrepreneurial-led or VC-backed, we strive to deliver practical and cost-effective solutions to scale for sustainable growth, while minimizing business complexity and risk.

We offer access to our Silicon Valley and international advisors and ecosystems, combining global best practices and benchmarking insights with the right introductions to help founders transform their ideas into leading businesses.

**Contact us:**

For more information on how our TMT practice can help you, please contact our KPMG in Canada professionals today: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# About the report

## Methodology

### KPMG uses PitchBook as the provider of venture data for the Venture Pulse report

Please note that the MESA and Africa regions are NOT broken out in this report. Accordingly, if you add up the Americas, Asia-Pacific and Europe regional totals, they will not match the global total, as the global total considers those other regions. Those specific regions were not highlighted in this report due to a paucity of datasets and verifiable trends.

In addition, particularly within the European region, the Venture Pulse does not contain any transactions that are tracked as private equity growth by PitchBook. As such rounds are often conflated with late-stage venture capital in media coverage, there can be confusion regarding specific rounds of financing. The key difference is that PitchBook defines a PE growth round as a financial investment occurring when a PE investor acquires a minority stake in a privately held corporation. Thus, if the investor is classified as PE by PitchBook, and it is the sole participant in the recipient company's financing, then such a round will usually be classified as PE growth, and not included in the Venture Pulse datasets.

Also, if a company is tagged with any PitchBook vertical, excepting manufacturing and infrastructure, it is kept. Otherwise, the following industries are excluded from growth equity financing calculations: buildings and property, thrifts and mortgage finance, real estate investment trusts, and oil & gas equipment, utilities, exploration, production and refining. Lastly, the company in question must not have had an M&A event, buyout, or IPO completed prior to the round in question.

### *Fundraising*

PitchBook defines venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund is domiciled; if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close. Mega-funds are classified as those of $500 million or more in size for the following fund categories: venture and secondaries

### *Deals*

PitchBook includes minority equity investments, as well as investments combined of both equity and debt, into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms, and corporate investors, as well as from nontraditional investors such as hedge funds, mutual funds or private equity funds. Investments received as part of an accelerator program are not included, however, if the accelerator continues to invest in follow-on rounds, those further financings are included.

- **Angel/seed:** PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and we cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than $500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.
- **Early-stage:** Rounds are generally classified as Series A or B (which we typically aggregate together as early stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- **Late-stage:** Rounds are generally classified as Series C or D or later (which we typically aggregate together as late-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- **Corporate:** Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Venture Pulse as of March 2018.
- **Corporate venture capital:** Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method is employed.

### *Exits*

PitchBook includes the first full liquidity event (i.e., M&A, buyout, IPO) for holders of equity securities of venture-backed companies. This does not include direct secondary sales, further share sales following an IPO, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown. Unless otherwise noted, IPO sizes are based on the pre-money valuation of the company at the time of the transaction.

In the edition of the KPMG Venture Pulse covering Q1 2019 and all ensuing, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, instead the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values in all subsequent editions yet is more reflective of how the industry views the true size of an exit via public markets. In the edition of the KPMG Venture Pulse covering Q1 2021 and all ensuing, the IPO exit type was updated to include all types of public listings, including special purpose acquisition companies (SPACs) and other reverse mergers.

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