



Accelerate Innovation: A Venture Capitalist Perspective

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Canada

Agenda

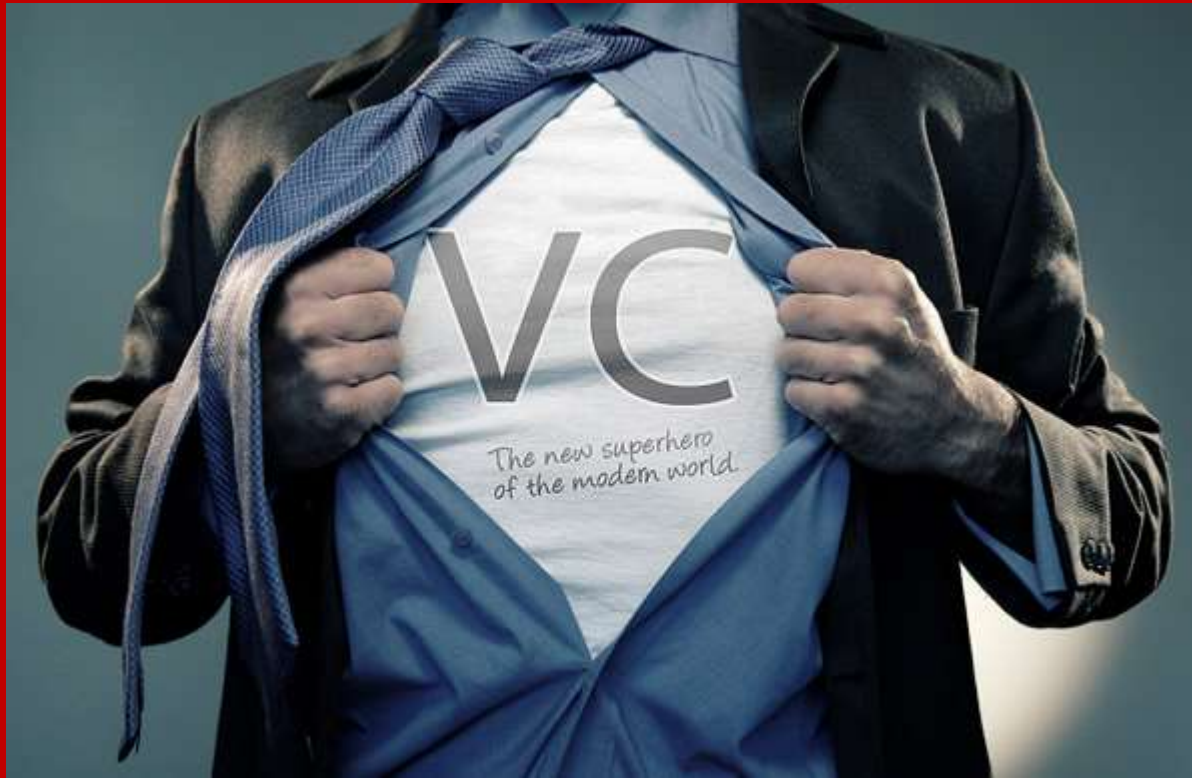
- The Elephant(s) in the Room
- Why Venture Capital matters
- How BDC VC is accelerating innovation

The elephant(s)



- Substantial commercialization gap
- Canada's productivity growth lower than international standards
- Absence of Canadian Corporates acting as investors or anchor customer
- Immature and undercapitalized Venture Capital & Private Equity Industry
- No solid Canadian mid-size companies
- No IPO market

Why venture capital matters



- Ten key VC strategies

1. Invest in successful teams



2. Invest in large growing markets



3. Eliminate pain

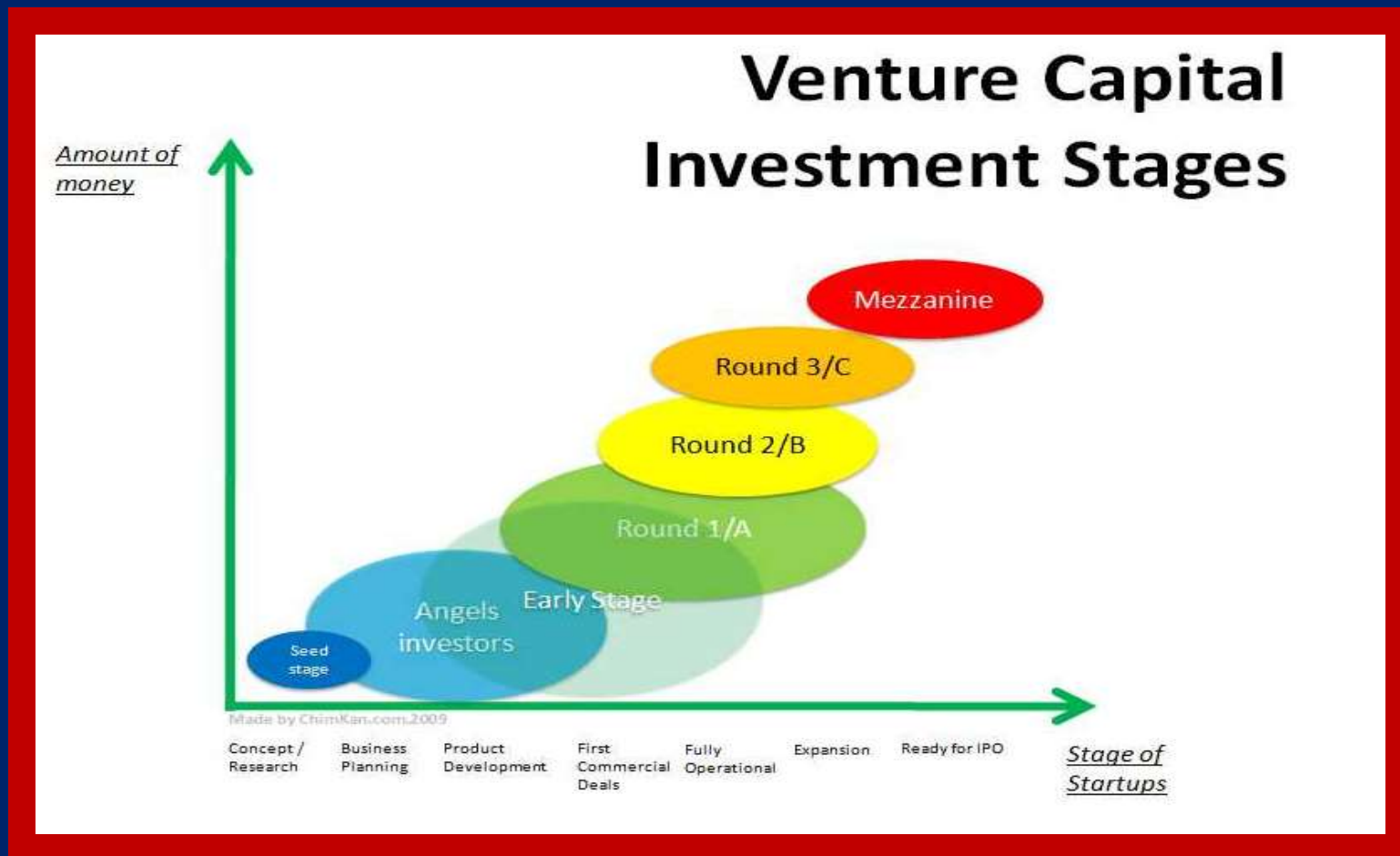


4. Focus on customer development, not product development

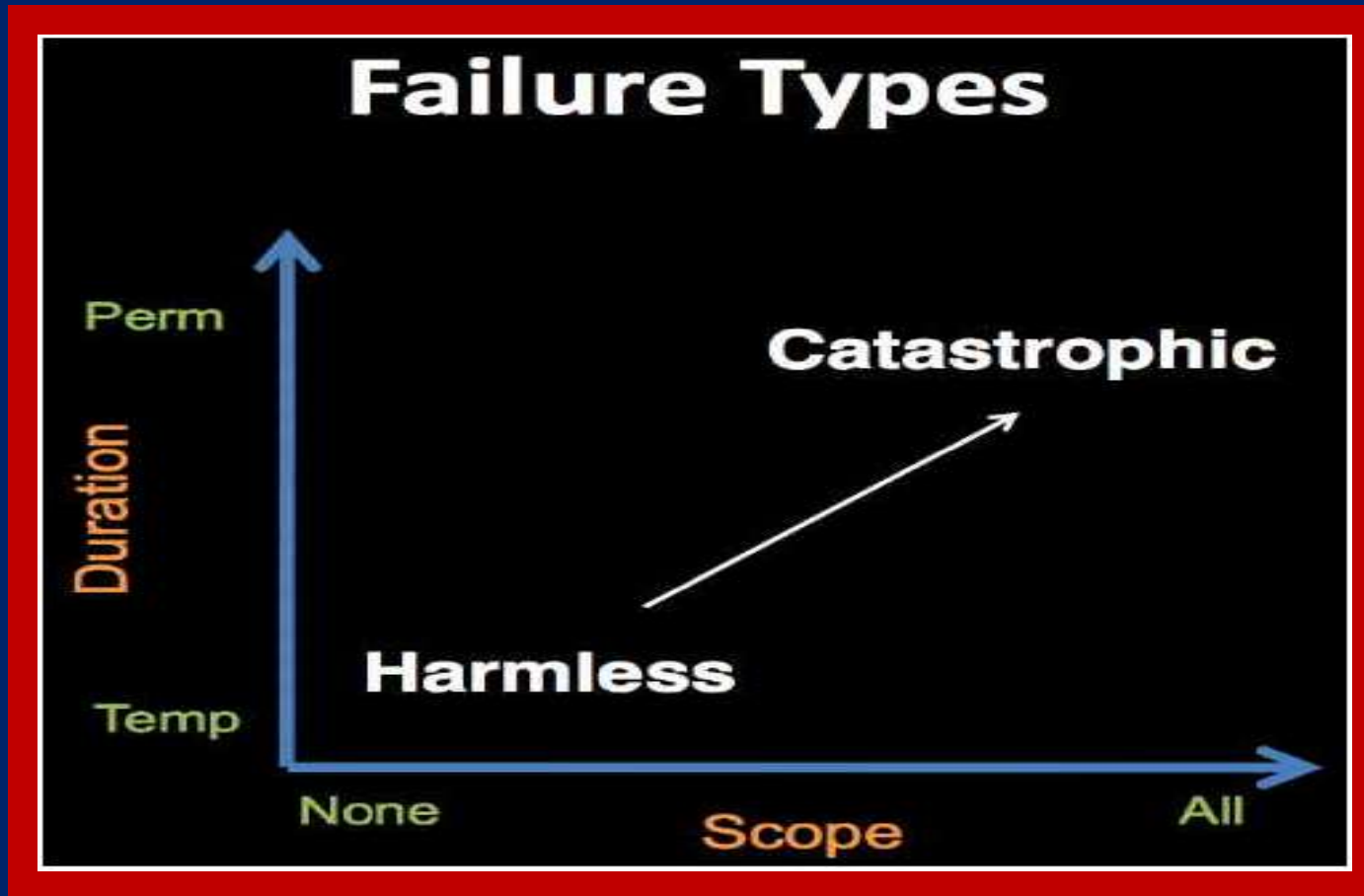
HOW DO I KEEP PACE WITH MY CUSTOMERS?



5. Dedicate resources in stages



6. Fail fast



7. Speed is everything



8. Pour it on



9. Offer no lifeboats



10. Be always selling, but never for sale



Strategic investments for fast growth companies



BDC Venture Capital Strategic Investments & Initiatives (SII)

Accelerator Investments

Enable the emergence of new tech firms

Mentor entrepreneurs & improve their chances of commercialization success

Help bridge the seed/early stage gap

Help to enable emerging start-up / innovation clusters

Indirect Investment Seed/early-stage, small & strategic funds

Provide an institutional LP presence in the seed/early stage space

Support high-quality teams capable of bridging the financing/mentoring gaps

Identify, groom & grow new GPs in small funds

Support funds and projects that have compelling national, regional or strategic relevance

This framework includes well-defined investment criteria for a “national framework with a regional approach”

Why do we invest in accelerators?

- Accelerators are intense, structured entrepreneur development programs focusing on company building with the goal to efficiently deploy capital + mentorship to produce successful investments

WE HAVE TWO OBJECTIVES

- **Help new tech businesses to succeed**

- Develop a better product with more users & early validation → “minimum viable product”
- Have more options for raising funding → make companies investor-ready

- **Focus on profitability**

- An accelerator is a business and operates to make money for its investors → analogous to a small venture fund

“Accelerators are not protected or nurturing. They bring together entrepreneurs and mentors/advisors and leave it to the entrepreneurs to figure out how to best take advantage of that opportunity... It’s sink or swim.”

Mark McLeod, Real Ventures / FounderFuel Co-Founder

Investment criteria

- **Mandate**
- **Strong private sector backing**
- **Investment characteristics**
- **Capacity for follow-on investment**
- **Other factors**
 - Seasoned VCs as co-investors (provide both mentoring and follow-on financing)
 - Meaningful BDC involvement → program operation (mentorship, etc.) & governance (board representation)
 - Connection with angels, super angels, strategic corporates or micro-VCs a significant plus
 - Complementarity to BDC VC direct investment (i.e. sector funds)

Five key success factors for a good accelerator

Founders

Experienced tech entrepreneurs, with significant start-up executive/C-level experience

Mentors

Robust, well-managed roster of active mentors with well-defined expectations

Program structure

Well-constructed, stringent acceptance standards, established curriculum for entrepreneurs

Selection process

Highly competitive intake process

Community/Cluster

Embedded in a strong tech community region

The BDC convertible note: a unique product in the market

INVESTMENT CRITERIA

- Working prototype of a **minimal viable product (MVP)**
- Clear understanding of **all major dimensions** of their business
- Well-functioning **management team**
- **Market traction & proof of product / market fit**
- Prospective, or preferably confirmed **lead / initial customers**
- **Partner prospects** or signed partnerships
- Defined **path to scalability**

BDC VC offers to graduates that meet the criteria \$150K convertible note

All current investments in accelerators



GROWlab

GrowLab Ventures

Location: Vancouver
Target sector: digital media/IT

 realventures

 FounderFuel

Real Ventures Limited
Partners / FounderFuel

Location: Montreal
Target sector: IT

 **Extreme**
STARTUPS

Extreme Startups

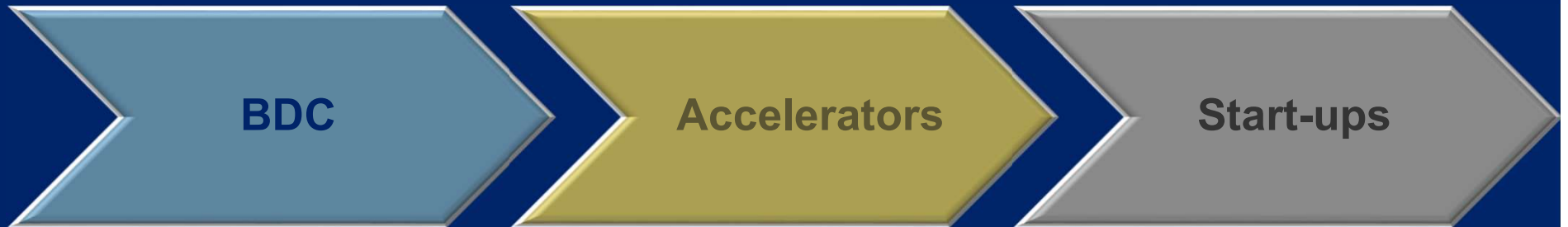
Location: Toronto
Target sector: mobile/IT

COMMUNITECH
HYPERDRIVE

Communitech Hyperdrive

Location: Kitchener
Target sector: IT

Summary of the accelerator model



Key success factors:

- Founders
- Mentors
- Program structure
- Selection process
- Community/clusters

BDC current investments:

- Growlab
- FounderFuel
- Extreme Startups
- HyperDrive

- Select graduates
- Follow-on funding
- Convertible notes
- Up to \$150,000

BDC Strategic Investment in VC Ecosystem

- New business model
- Focus on IT sector
- Work in partnerships

Find and build businesses

- Attract talent
- Rigorous development program
- Enabling environment
- Mentorship

BDC new investment instrument

- Clear investment criteria
- Qualified graduates
- Investment committee
- Standardized term sheet

Lessons learned

- The accelerator model remains unproven but appears very promising way to finance innovation
- Applicability of the accelerator model outside IT may require different execution & dynamics
- The accelerator model & environment continue to evolve
- Appetite in market for BDC's Convertible Note Program points to real need
- Sufficient market capacity & investor interest in the accelerator model

Thank you

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BDC Venture Capital

