

Venture Capital at BDC

Nazmin Alani, Managing Director



Development Bank Role in Commercializing IP
Technology Transfer Conference: **Jožef Stefan Institute, Slovenia**
October 7-8, 2010



Presentation Outline

- > Introduction to BDC
- > Venture Capital Overview
- > Venture Capital Portfolio
- > Impact on the Economy
- > Summary
- > Q & A

An Introduction to BDC



Canada

BDC: Canada's Development Bank

Our mission:

- > Help create and develop Canadian businesses through financing, **venture capital** and consulting services, with a focus on SMEs (small and medium enterprises)

Our vision:

- > Accelerate the success of entrepreneurs

Who we are:

- > 65 years serving Canadian entrepreneurs
- > Catalyst for commercialization
- > Complementary role

BDC: Canada's Development Bank

VITAL STATISTICS

- > 29,000 clients who employ more than 650,000 people with sales of over \$175 billion
- > A pan-Canadian presence with 102 offices including 5 VC offices
- > 1,800 employees including
 - 500 financing account managers
 - 35 venture capital (VC) investment professionals
 - 45 subordinate financing professionals
 - 130 consulting specialists using a network of 350 external consultants
- > 2.8% of term lending in Canada*
- > 4.6% of VC industry volume (\$ authorizations) in Canada**

BDC: Canada's Business Development Bank

- > Only Financial Crown with obligation to be complementary
- > Profitable to address market needs and growth of our clients
 - Self-sustaining – does not receive Government appropriations
 - Reported \$90.6 million net income and an ROE of 4.7% in fiscal 2009
 - \$173.5 million in dividends paid to Government of Canada since new mandate (1995)

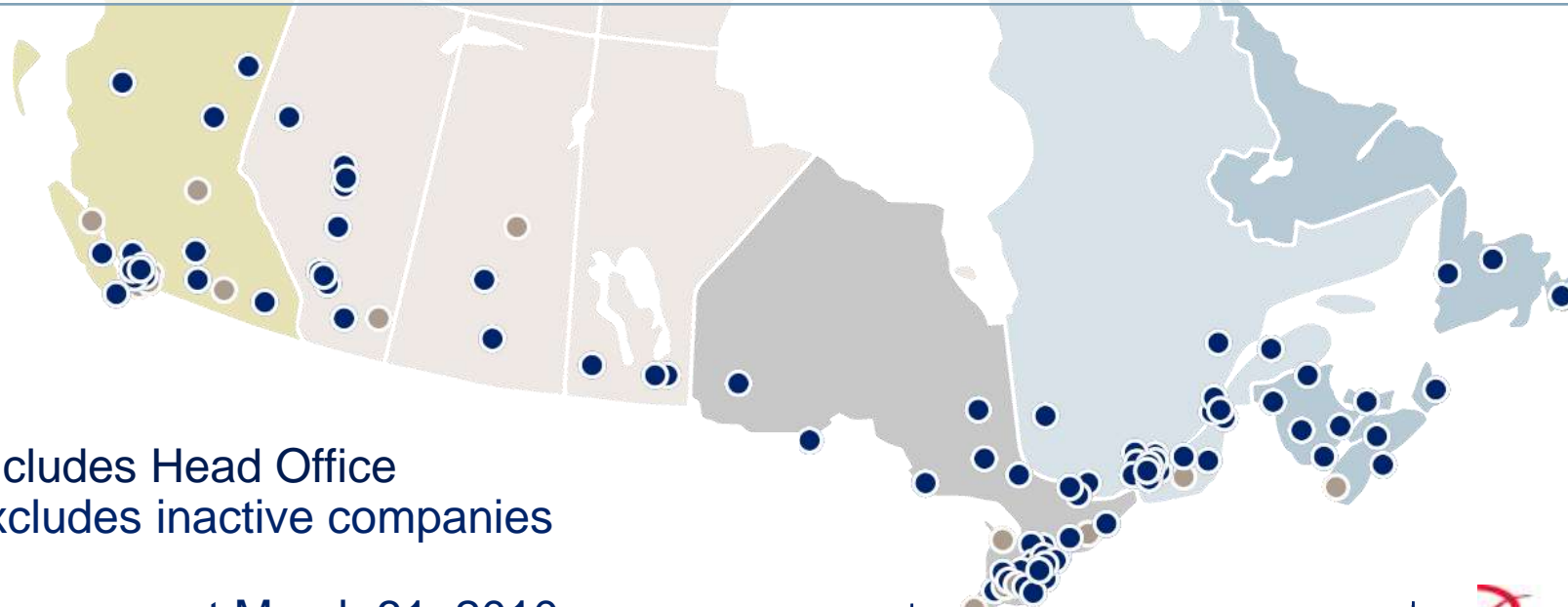
What BDC Does

- > We help build Canadian business capacity through:
 - Financing: term financing for projects and working capital
 - Subordinate financing: hybrid debt and equity financing
 - **Venture capital: direct and indirect investments in high technology companies**
 - Consulting services
 - Securitization

- > BDC finances higher risk transactions (manufacturers, exporters, innovators, cyclical sectors), and prices accordingly

BDC's Reach

	B.C. & YUKON	PRAIRIE & NORTHERN	ONTARIO	QUEBEC	ATLANTIC	TOTAL
Offices*	17	17	33	22	13	102
Financing, Subordinate Financing and VC clients and VC funds (#)	3,324	3,952	7,997	9,598	3,923	28,794
Committed: Financing, Subordinate Financing and VC** (direct and indirect) (\$M)	\$1,845	\$2,360	\$4,916	\$5,010	\$1,584	\$15,715



* includes Head Office
 ** excludes inactive companies

All figures are at March 31, 2010

Venture Capital



Canada

BDC Venture Capital

- > Investing since 1975
- > Commercialization catalyst of R&D
 - Very early stage focus
 - High growth potential and promising strategic positions
- > Investment business model
 - Direct investment
 - Information Technologies
 - Telecom
 - Life Sciences
 - Energy, Environment, Electronics and Materials
 - Indirect investment in funds
- > BDC historically leverages over \$4.5 from other investors for every \$1 BDC invests to support commercialization efforts of Canadian tech firms

BDC Venture Capital Mandate

Objectives stated by the shareholder:

- > Focus on
 - Knowledge Based Industries (KBI)
 - Pre-seed/seed, innovative early-stage and start-up investments (direct and indirect)
 - Commercialization of research
 - Leading-edge technologies
 - Attracting foreign investors in VC
 - Regional development
 - Investment in companies with global potential
 - Partnerships with both the public and private sector

VC Team

- > Dedicated team of 46 employees:
35 professionals and 11 support employees that are based in five offices across Canada
- > Two-fold intervention:
Direct investments in companies and
Indirect investments in funds
- > Structured in 3 investment sectors:
 - 1) Life Sciences (LS)
 - 2) Information and Communication Technologies (ICT)
 - 3) Energy, Environment, Electronics & Materials (EEEM)

Background with respect to technical, operational and financial knowledge:

- 89% have industry experience
- 80% have undergraduate technical degrees (mostly B. Eng., B. Applied Sciences and B. Biotechnology)
- 66% have an MBA
- 43% were once entrepreneurs
- 34% have technical graduate degrees (mostly MSc and some PhDs in technical fields such as engineering, biotech, applied sciences)

Sources of Innovative Ideas

> Selecting High-quality Investment Opportunities

- Sourcing promising investment opportunities



- Assessing the risk and return potential of market attractiveness, competitive positioning, management team, technology, IP, financial projections, business model, risk management, exit potential and anticipated return
- Building an investment syndicate and creating a shared vision with co-investors and management
- Taking the right decisions, frequent peer reviews per sector and formal approval process with investment committee and ultimately, if required, Board Committee

VC Portfolio



Canada

BDC Venture Capital Portfolio

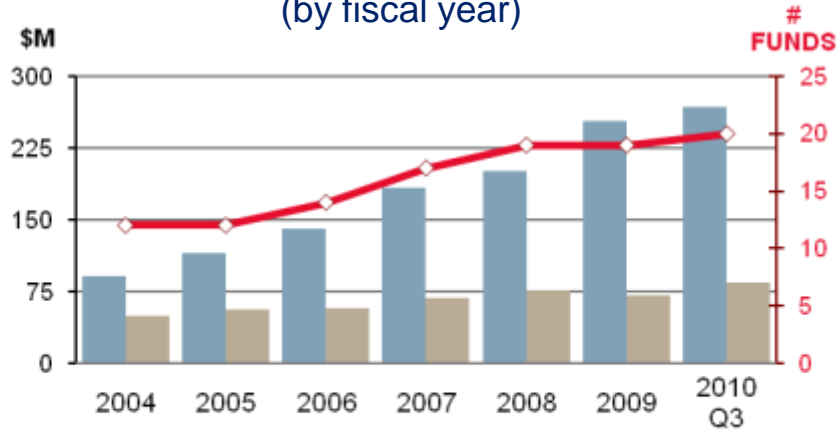
- > As of March 31st, 2009

- > Direct Investments
 - 140 active portfolio companies across Canada
 - \$552.0 M total commitment
 - 3 sectors : Life Sciences (37%)
 - Information Technology/Telecom (43%)
 - Energy, Environment, Electronic & Materials (20%)

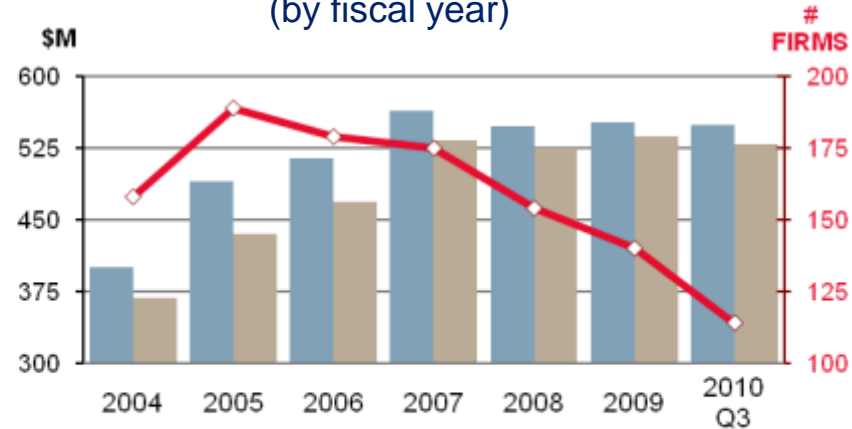
- > Indirect Investments
 - 19 funds across Canada
 - \$253.0 M total commitment

BDC VC Portfolio

Fund Investments (by fiscal year)



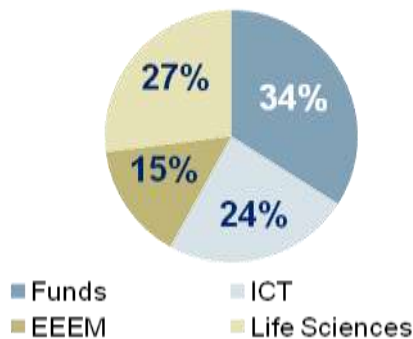
Direct Investments (by fiscal year)



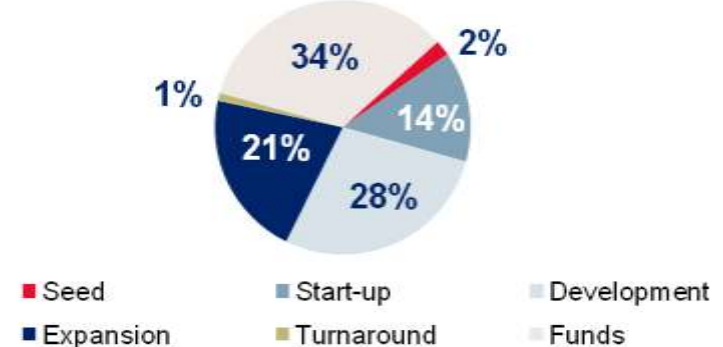
	2004	2005	2006	2007	2008	2009	2010 Q3
Commitment	90.4	114.6	140.4	183.8	201.1	252.9	267.3
Cost	49.0	55.6	56.9	68.2	76.8	71.2	84.1
# Funds	12	12	14	17	19	19	20

	2004	2005	2006	2007	2008	2009	2010 Q3
Commitment	400.3	489.8	514.5	564.1	548.0	551.7	549.6
Cost	367.6	435.9	468.7	533.0	524.6	537.4	529.1
# Firms	158	189	179	175	154	140	114

Direct investments by sector and fund investments (% of \$ committed, as at fiscal year 2010 Q3)



Direct investments by stage and fund investments (% of \$ committed, as at fiscal year 2010 Q3)





Impact on the Economy



Canada

Statistics Canada Economic Impact Study: Results

> Revenue, employment and business survival results are positive:

BDC FINANCING CLIENTS VS. NON-BDC CLIENTS	RESULTS
Revenue growth	5.1% to 26.8% higher
Job creation*	4.0% to 11.1% higher
Survival rate	0.7% to 5.4% higher

*EXCLUDING 2001 COHORT

> Combining both BDC financing and consulting services helps bolster revenues

BDC FINANCING AND CONSULTING CLIENTS VS. NON-BDC CLIENTS	RESULT
Revenue growth	59.3% higher in fifth year

*FOR 2001 COHORT

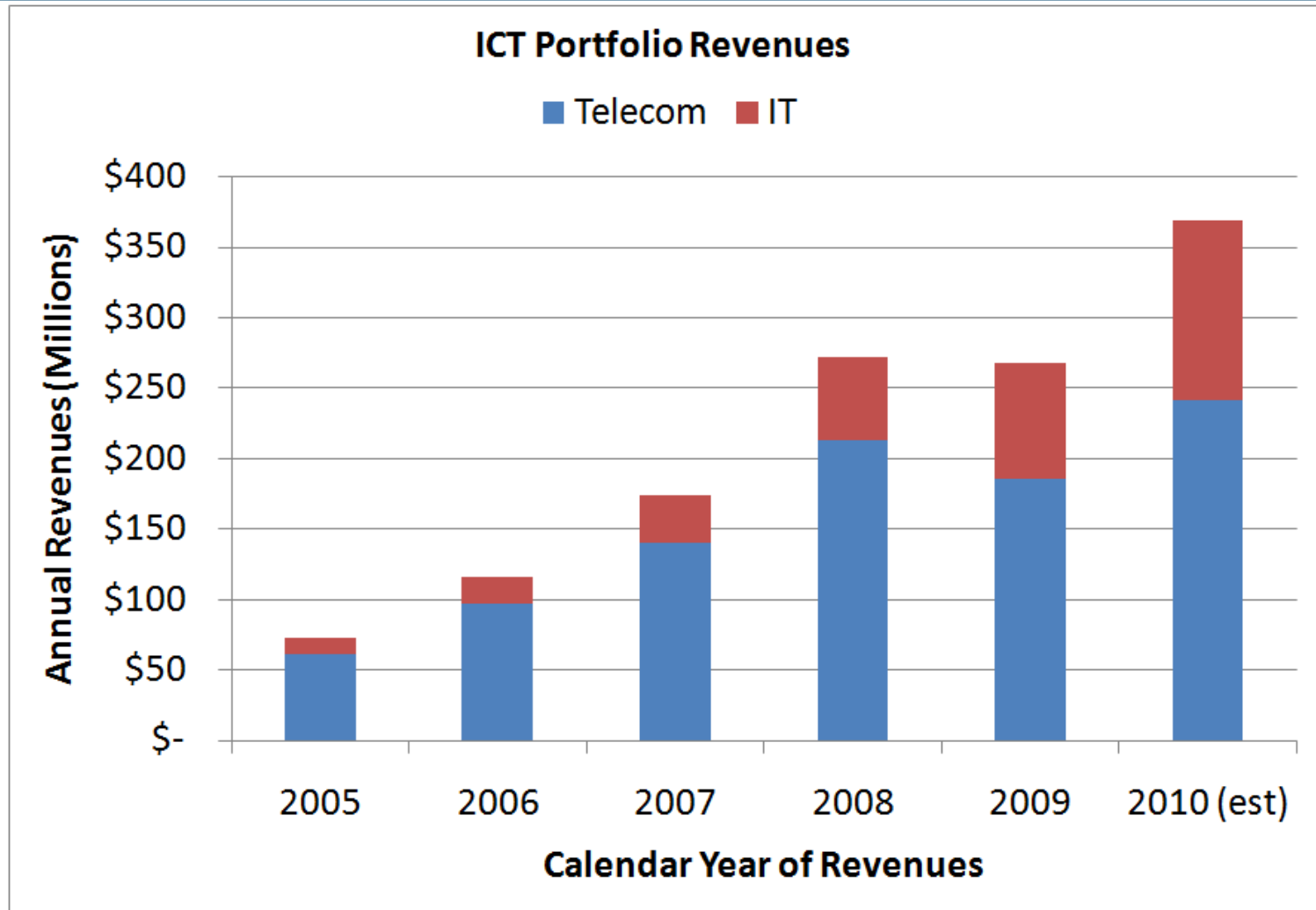
> Profit growth lower for BDC financing clients than for non-BDC clients

– Higher investment levels of BDC clients yield lower short-term profitability, but results in higher rates of business survival

BDC's impacts on the economy and the entrepreneurs

- > Clients' annual sales of \$174.2B, \$21.2B in exports
- > BDC VC backed companies earn annual revenues of \$680M
- > Their revenue is:
 - 5% to 27% higher for BDC Financing clients
 - 9% to 59% higher when also use BDC Consulting services versus non-clients
- > Survival rate is 82% after 5 years for BDC Financing clients
- > Their employment:
 - 4% to 11% higher for BDC Financing clients
 - 41.5% increase in employment for BDC Financing clients following BDC support
- > Clients that received financing in fiscal year 2010 sustained 650,000 jobs
- > BDC VC companies employ 5,275 knowledge-based workers

ICT Portfolio Company Revenue



BDC VC Ranks Top 100 in the World



- > 2009 study conducted by Red Herring, a California based publication covering the business of technology
- > Result of an 8 month analysis of over 1,000 known and active venture capital funds across the globe
- > Ranking based on a multi-criterion weighted average model including the performance of portfolio companies
- > Only 3 funds across Canada made it on the list: BDC, solidarity Fund QFL, Vengrowth Capital funds



Deloitte Technology Fast 50

(Published on October 1st, 2008)

BDC: a partner in 10 of the
Technology Fast 50 Companies

BDC's Investments	BDC Commitment *	Award Categories
Apparent Networks (IT)	5.8	Companies-to-Watch Awards – 2006
Blueprint (IT)	3.2	Companies-to-Watch Awards – 2008
BTI Systems (TL)	5.9	Technology Fast 50 ranking – 2008 / 2007 / 2006
Bycast Inc. (IT)	2.5	Companies-to-Watch Awards – 2006
Dyaptive Systems Inc. (TL)	2.7	Technology Fast 50 ranking – 2007
ProSep Inc. (EEEM)	1.5	Technology Green 15 Awards – 2008
RapidMind Inc. (IT)	4.0	Companies-to-Watch Awards – 2007
Sandvine Incorporated (TL)	3.8	Companies-to-Watch Awards – 2006 Technology Fast 50 ranking – 2008 / 2007
TeraXion (TL)	4.7	Technology Fast 50 ranking – 2008
Xantrex Technology Inc. (EEEM)	6.0	Technology Green 15 Awards – 2007
10 Companies	40.1	

Note: The Deloitte Technology Fast 50 Awards exclude the Life Sciences sector

* BDC Commitment: Cost plus undisbursed authorized amounts

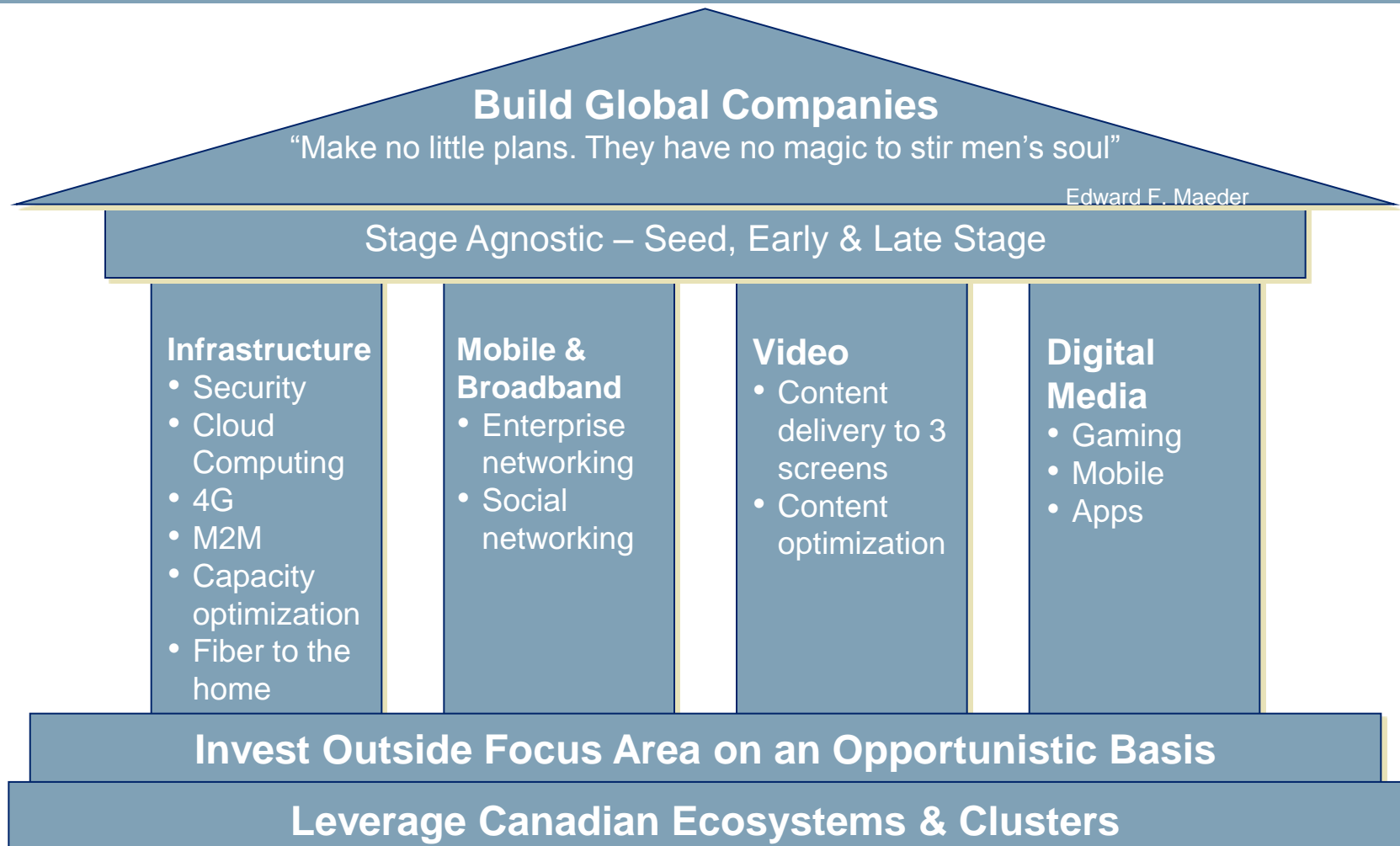
EEEM: Energy, Environment, Electronic & Materials

IT: Information Technology

TL: Telecommunications

Investment Focus Area

Wireless, Broadband, Video, Digital Media



Pipeline/Deal Flow – April 1 to Dec 31, 2009



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Summary

- > BDC as a development bank is playing key role as a complementary participant in the Canadian financial and venture capital eco-system.
- > A development bank can be active in Venture Capital and act as a catalyst in creating a knowledge-based industry.
- > Turning an innovative idea into a successful company is risky and complex. It takes hard work, patience, specialized knowledge, superior management skills and in many cases huge amounts of capital. But the rewards can be very high!

Thank you



nazmin.alani@bdc.ca

www.bdc.ca

