

inovia

STATE 
OF CANADIAN
SOFTWARE
REPORT

February 2024

2023

Perspectives: 15+ years of shaping the Canadian ecosystem

We founded Inovia more than 15 years ago with an ambitious goal of helping Canada become home to globally-minded tech companies. Fast forward to today, and we're evolving in a thriving ecosystem with over \$30B in funding since 2019, an equally important amount in exit values and a large and growing number of companies building global businesses from Canada.

With its vibrant communities, top talent and long-held foothold as a world-leading AI ecosystem, Canada is a tech hub that cannot be ignored. Over the years, our team of company builders has navigated the highs and lows of this market, and we are happy to share our first State of Canadian Software report exploring the state of software investing in Canada.

This report underscores Inovia's deep roots in this ecosystem and the story behind the numbers. Based on 2023 data, we analyze key trends and the investment opportunities ahead.

Now is a pivotal moment for Canada. Over the next decade, we will see tremendous opportunities to continue investing in software and supporting Canadian entrepreneurs building from pre-seed to IPO and beyond.

We hope you will find this report insightful. Let us know what you think!



Chris Arsenault
Inovia Partner, Co-Founder and CEO

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Software funding scope of work: Equity and equity-like transactions surpassing US\$1M in round size in Canadian-based companies (HQ in Canada), spanning from January 2019 to December 2023 (venture debt deals might be included in some transactions where equity and debt are blended in the numbers disclosed by the Company). Types of deals included in the report focus mainly on SaaS (Software as a Service) transactions, marketplaces and other software-first and tech-enabled businesses. Notably excluded from the report are companies with core business models based on hardware components or heavily reliant on service components. Data was mainly sourced from PitchBook, compared with CVCA's data and supplemented by manual inclusion of deals unavailable in PitchBook. All figures in USD unless otherwise specified.

GLOSSARY

SaaS: (Software as a Service) is internet-delivered software specifically designed for businesses. It tailors to business or consumer needs, facilitating transactions between businesses. As a SaaS model, these businesses are hosted online, accessible through browsers, and operate on a subscription basis. Key characteristics include subscription-based pricing, internet accessibility, scalability, and adaptability. Additionally, provider-managed updates and maintenance enhance the overall user experience.

Venture Deal: Describes a transaction with a round size equal to or less than US\$20M (and above US\$1M).

Growth Deal: Describes a transaction with a round size exceeding US\$20M.

Emerging Managers: New and relatively small investment firms that are in the early stages of establishing themselves in the VC industry. These managers are often characterized by their limited assets under management (AUM) and more recent track records, as compared to established players in the field. As a general rule, Inovia defines Emerging Managers as early-stage VC firms that have raised three or fewer funds.

Verticals Classification: Transactions were sorted into six core verticals based on Inovia's sectors of expertise: **fintech, future of work, digital health, travel & hospitality, cybersecurity, and commerce enablement**. Those falling outside these categories were labeled as either "Other In-Scope" or "Out-of-Scope." The "Other In-Scope" category includes companies in supply chain tech, DevOps, cryptocurrencies and blockchain, construction tech, VR/AR, Edtech, etc. In-scope deals were incorporated into the overall output, while out-of-scope deals were excluded. A brief overview of the six core verticals follows:

- **Fintech:** Innovative use of technology in the financial sector to enhance and streamline financial services
- **Future of Work:** Focus on evolving work dynamics, emphasizing technology's impact on workplace structures and processes
- **Digital Health:** Leveraging technology to enhance healthcare delivery, and patient experiences and clinical research
- **Travel & Hospitality:** Software supporting operations across airlines, hotels, restaurants, tours and activities for both customers and businesses
- **Cybersecurity:** Protection of digital systems, networks and data from security threats and unauthorized access
- **Commerce Enablement:** Tech solutions facilitating and various aspects of commerce and business operations and enhancing physical and digital commerce

Disclaimer: The data contained herein was obtained from public outlets and is subject to change without prior notice. The completeness and accuracy of such information is not guaranteed and despite our efforts to supply current and accurate information, unintended inaccuracies may occur. Any references to specific investments and/or investors are in no way meant to imply sponsorship or endorsement of same.

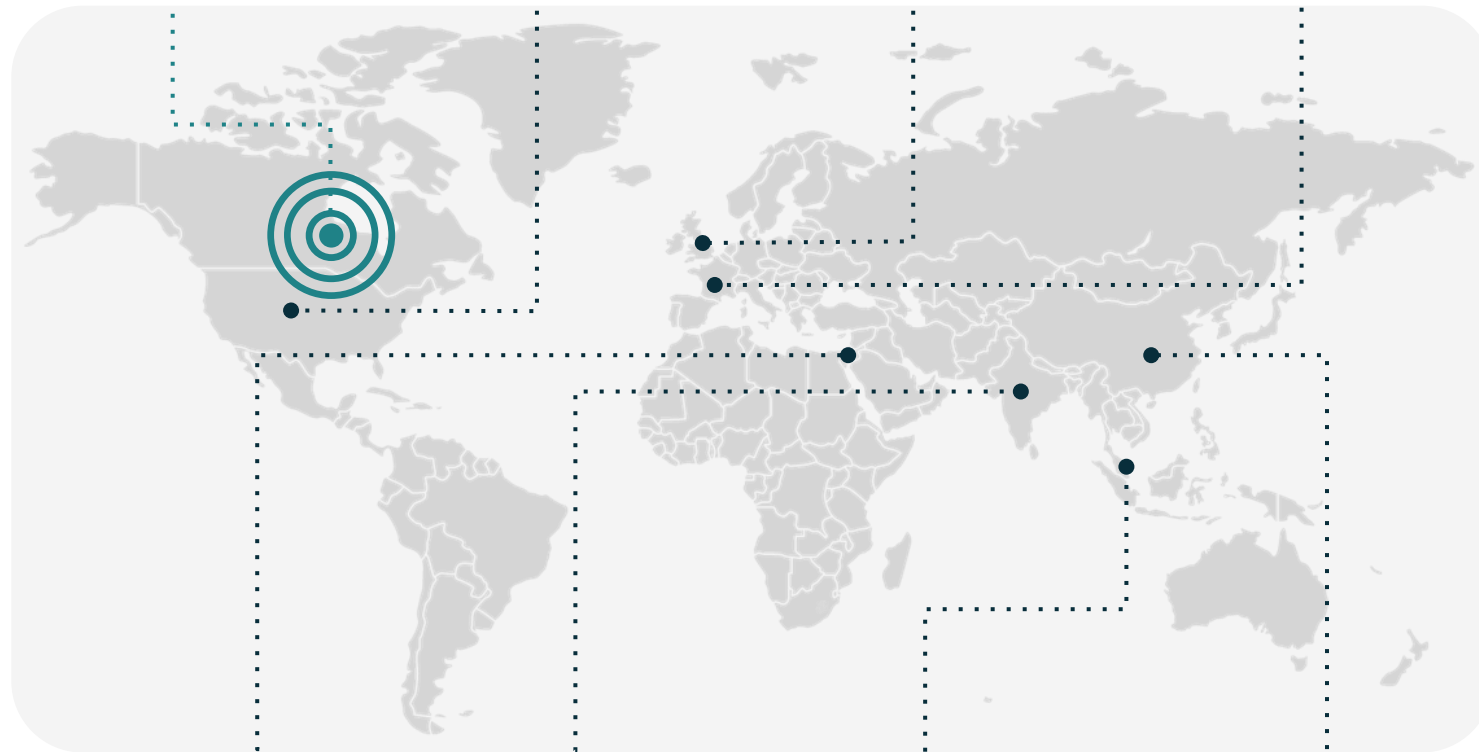
01 SOFTWARE FUNDING LANDSCAPE



Canada, a market that cannot be ignored

Globally relevant tech hubs:

Canada	United States	United Kingdom	France
2022 Investments: \$11B ¹	2022 Investments: \$250B ¹	2022 Investments: \$32B ¹	2022 Investments: \$16B ¹
Unicorns as of '22: 50 ¹	Unicorns as of '22: 1,500 ¹	Unicorns as of '22: 138 ¹	Unicorns as of '22: 34 ¹
Talent: Fastest growth rate in AI talent concentration compared to other G7 nations ²	Talent: Third largest population of software developers in the world – 4.4M developers in 2023 ³	Talent: UK tech jobs surged by 40% in 2022, poised to claim a 7% share of the British job market in 2023 ⁴	Talent: By year-end 2021, France's tech sector, with 11,000 startups, employed nearly 250,000 people ⁵



Israel	India	Singapore	China
2022 Investments: \$8B ¹	2022 Investments: \$25B ¹	2022 Investments: \$9B ¹	2022 Investments: \$28B ¹
Unicorns as of '22: 46 ¹	Unicorns as of '22: 88 ¹	Unicorns as of '22: 26 ¹	Unicorns as of '22: 338 ¹
Talent: Israel government estimates that 20% of workforce will be working in tech by 2035 ⁶	Talent: 2nd largest number of software developers in the world in 2023– almost 5M people ³	Talent: OCBC, DBS & UOB banks launched tech training programs for staff & students ⁷	Talent: Largest number of software developers in the world in 2023 – almost 7M people ³

1. Country level benchmarking (2022 data, includes all VC deals and not just software), Dealroom.co, Q3-2023 | 2. Canada leads the world in AI talent concentration, Newswire, Sep. 27, 2023 | 3. How Many Software Developers Are in the World?, Griddynamics, Aug 8, 2023 | 4. UK being left behind in the tech talent race due to outdated visa system, HR Magazine, Oct 26, 2023 | 5. Retrouvez les chiffres clés 2021 des startups de la French Tech, numeum, Feb 24, 2022 | 6. "Within 5 years there will be a shortage of 100,000 high-tech employees", Calcalistech, Jun 7, 2022 | 7. Tech's been hit by layoffs. But Singapore is still investing big in its talent — in tech and beyond, CNBC, May 8, 2023

The Canada advantage

Canada has several key elements that make it stand out against a backdrop of booming tech hubs across the globe. The country's top talent, AI leadership, robust VC funding and attractive socio-economics are strong pillars driving its software market.

Top Tech Talent

Since 2020, the growth rate of tech talent in Canada (16%) has outpaced that of the US (11%),¹ meanwhile Canadian universities like McGill University, The University of Toronto, The University of Waterloo, The University of Alberta and The University of British Columbia continue to foster a strong tech workforce. This talent growth is only set to accelerate as Canada's attractive immigration strategy, which was improved in 2023, speeds up visa applications to as low as two weeks in order to bring highly skilled workers into the country.²

AI Leadership

With the highest number of AI publications per capita in the G7³, Canada is a clear leader in artificial intelligence. The country is home to a large pool of globally renowned AI researchers including Geoffrey Hinton, Yoshua Bengio and Richard Sutton. Canada is also home to four major AI clusters — MILA, Vector Institute for Artificial Intelligence, CDL and AMII — and was the first country to adopt a national AI strategy³.

VC funding

With over \$30B⁴ in funding since 2019 and an equally important amount in exit values, Canada has seen strong levels of activity in Venture. The country benefits from the commitment of strong institutional investors (including GP-led firms, pension funds, large banks, family offices, etc.), providing a diverse pool of capital to tech enterprises. Canada's R&D incentives are also among the most generous in the G7⁵, making it a place of choice to start a company.

Healthy socio-economics

Canada's country fundamentals also make it an attractive hub for both talent and investment for the next decade. The country is shaped by its multicultural foundation and culture, ranks as one of the most politically stable in the world and has a strong economic strategy that's made it #1 in the G20 for fiscal soundness⁶. It also has the lowest debt-to-GDP ratio among the G7 countries⁷ and ranks high for quality of life — three out of the top 10 most livable places in the world, Vancouver, Calgary and Toronto, are in Canada.⁸ Canada's population hit 40M in 2023 and grew by 3% since last year.⁹

1. Scoring Tech Talent, CBRE, July 2023 | 2. Tech Workers choosing Canada and UK over US due to immigration hassles, Immigration.ca April 2023 | 3. Canada leads the world in AI talent concentration, Deloitte, September 2023 | 4. Pitchbook, Inovia Analysis, November 2023 | 5. Key facts about Canada's competitiveness for foreign direct investment, Global Affairs Canada, May 2022 | 6. Do Business in Canada, Invest Canada, December 2023 | 7. Government net debt of G7 countries as share of GDP from 2010 to 2023, by country, Statistics Canada, October 2023 | 8. The Global Liveability Index, Economist Intelligence, June 2023 | 9. Canada's population hits 40 million, Statistics Canada, June 2023

Multiple regional ecosystems with growing momentum

Canada benefits from several tech hubs, each teeming with a diverse array of startups, established companies and supportive investors. While interconnected, **these regions also have their own unique offerings that are attracting talent.** Ontario is currently leading the regions in funding, while Western Canada and Quebec each represent about a quarter of total funding in the country.



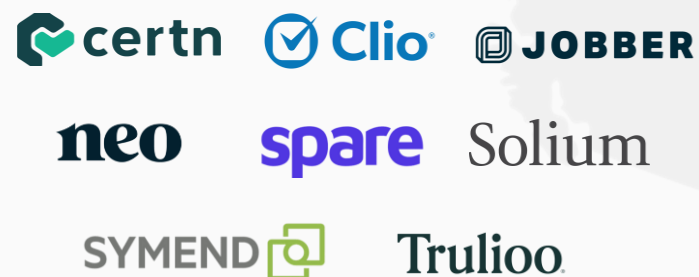
Shawn Abbott
Partner, Calgary

Western Canada (BC/Alberta)

Vancouver and Calgary stand out in the North American tech landscape and are the two fastest growing tech talent hubs from 2017 to today (69% growth in Vancouver, 61% in Calgary¹). High-growth companies across BC and Alberta such as Certn, Neo, Clio, Trulioo, and Jobber have recently raised large rounds and are creating a flywheel effect of talent and investment, bolstered by a vibrant ecosystem of early-stage and growth investors. Notably, we're seeing emerging managers like The51 and Defined Capital at the Pre-Seed/Seed stage develop a strong local presence. This is in addition to established GPs like Panache, Relay, Vanedge, Yaletown and Pender alongside world-class pension systems like BCI and AIMCo investing in the ecosystem. Alberta is also home to AMII, a hub for AI research and talent development.

\$8B funding since 2019
~25% of total funding

Notable companies



Karamdeep Nijjar
Partner, Toronto

Ontario

Ontario is home to top research/engineering universities, including UofT and Waterloo, and leading tech incubators like MarS and NextAI. Toronto is the second largest financial services center in North America.² It is increasingly an attractive hub for Big Tech companies including Shopify, Google, Salesforce and Meta, which all have one or more regional offices. Only about two hours away from Toronto, Waterloo has educated nearly 20K math and engineering students in the last five years, with Canada's most significant engineering concentration.³ What's more, the region has unique connections and relationships with the Bay Area.

\$17B funding since 2019
~55% of total funding

Notable companies



Magaly Charbonneau
Partner, Montreal

Quebec

Quebec has earned a reputation as a global leader in AI, with an estimated 30K workers with AI-related jobs.⁴ The province is home to MILA, a community of more than 1,000 researchers specializing in machine learning, and several other renowned research and academic institutions. Scaled companies including Lightspeed, Hopper and Coveo are also based in Quebec, and many startup accelerators — such as Centech, CDL, FounderFuel and Espace Ax-C — are creating a vibrant investment hub. What's more, local funds, both GP-led (e.g., Inovia, Brightspark, White Star, Panache, Luge, etc.) and institutional funds (e.g., CDPQ, IQ, FsFTQ, Fondation) have been among the most active investors in the country and have contributed to developing high impact entrepreneurial stories.

\$7B funding since 2019
~23% of total funding

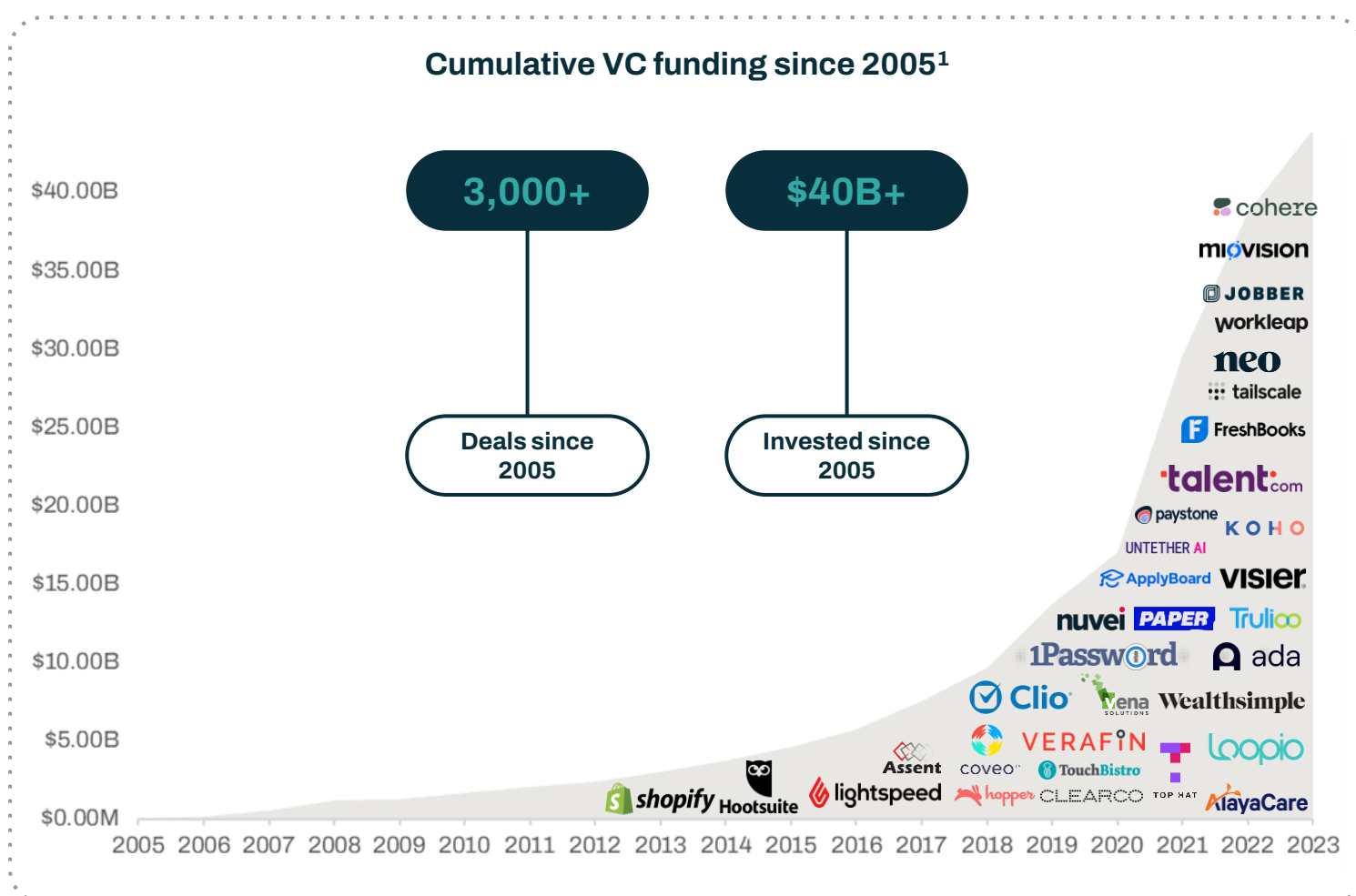
Notable companies



1. Scoring Tech Talent, CBRE, July 2023 | 2. Why is Toronto now a leading tech destination?, Collision, June 2022 | 3. 5 charts that prove that the Toronto-Waterloo Corridor is a top Tech hub, Waterloo EDC, June 2023 | 4. Montreal: artificial intelligence serving the common good, MTL INTL, November 2023.

Decades of early stage capital lay strong foundations for growth

Every major Canadian city has now been home to success stories that are propagating executive talent, capital and a global mindset across the ecosystem. Role model entrepreneurs are creating a rich pipeline of companies at scale with strong fundamentals. Capital has grown from small-scale angel investing totaling less than \$500 million per year to a burgeoning VC landscape offering multi-stage funding and with an average of ~\$5B funding annually since 2019.



1. Pitchbook, Inovia Analysis, November 2023. Logos in chart represent select companies that had financing rounds of \$100M+

Canada's tech ecosystem evolution

	Early Days Pre-2010	Flywheel Begins 2010-2019	Mature Ecosystem 2019+
Talent	<ul style="list-style-type: none"> - World-leading engineering hub - More research-oriented than commercial - Limited numbers of career opportunities, especially for executive talent 	<ul style="list-style-type: none"> - New models launch to foster talent (MILA, CDL) - Exited entrepreneurs become repeat founders and investors - Increase in local opportunities, especially for executive talent 	<ul style="list-style-type: none"> - Fastest tech jobs growth in North America - Global tech firms leveraging remote workers in Canada
Capital	<ul style="list-style-type: none"> - Annual VC investment <\$500M - Emergence of venture (angels) and fund of funds (FoF) 	<ul style="list-style-type: none"> - Annual VC investment >\$1B - Venture reaches critical mass - Growth and secondaries emerge 	<ul style="list-style-type: none"> - Average annual VC investment ~\$5B - Full-stack funding available, continuation vehicles emerge - Increases support from new capital providers in tech (e.g. Canadian banks in both equity and debt)
Success	<ul style="list-style-type: none"> - Limited number of global success stories (e.g. RIM) 	<ul style="list-style-type: none"> - Increasing number of successes (e.g. Shopify, Lightspeed, Hopper) 	<ul style="list-style-type: none"> - Rich pipeline of well-positioned companies with global ambitions - Digital transformation drives wave of new business formation and increased spend on software tools

Source: Pitchbook

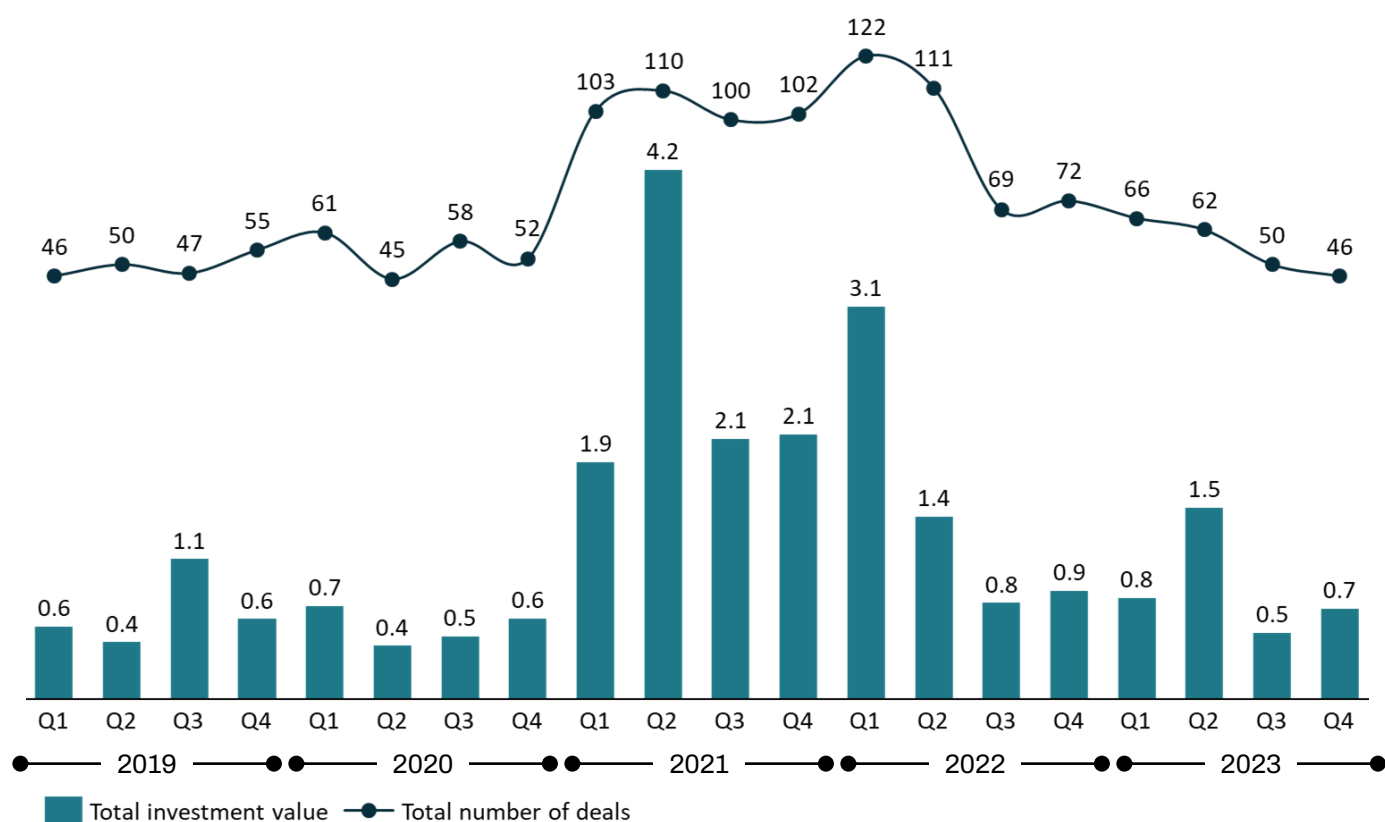
Canada mirrors global VC reset in 2022/2023, but bounced back in Q4-2023

Coming down from the unprecedented bull run that shaped the last decade, VC markets recently went through a reset in 2022 and 2023. Soaring interest rates, high inflation, domestic and geopolitical challenges — Ukraine and Israel/Palestinian wars, and ongoing concerns about the stability of the global banking system — made it a challenging time for VC investments across the globe.

While Canada was also affected by these global trends and experienced a similar annual decline to rest of the world, the country bounced back more aggressively in Q4-2023 versus other countries.



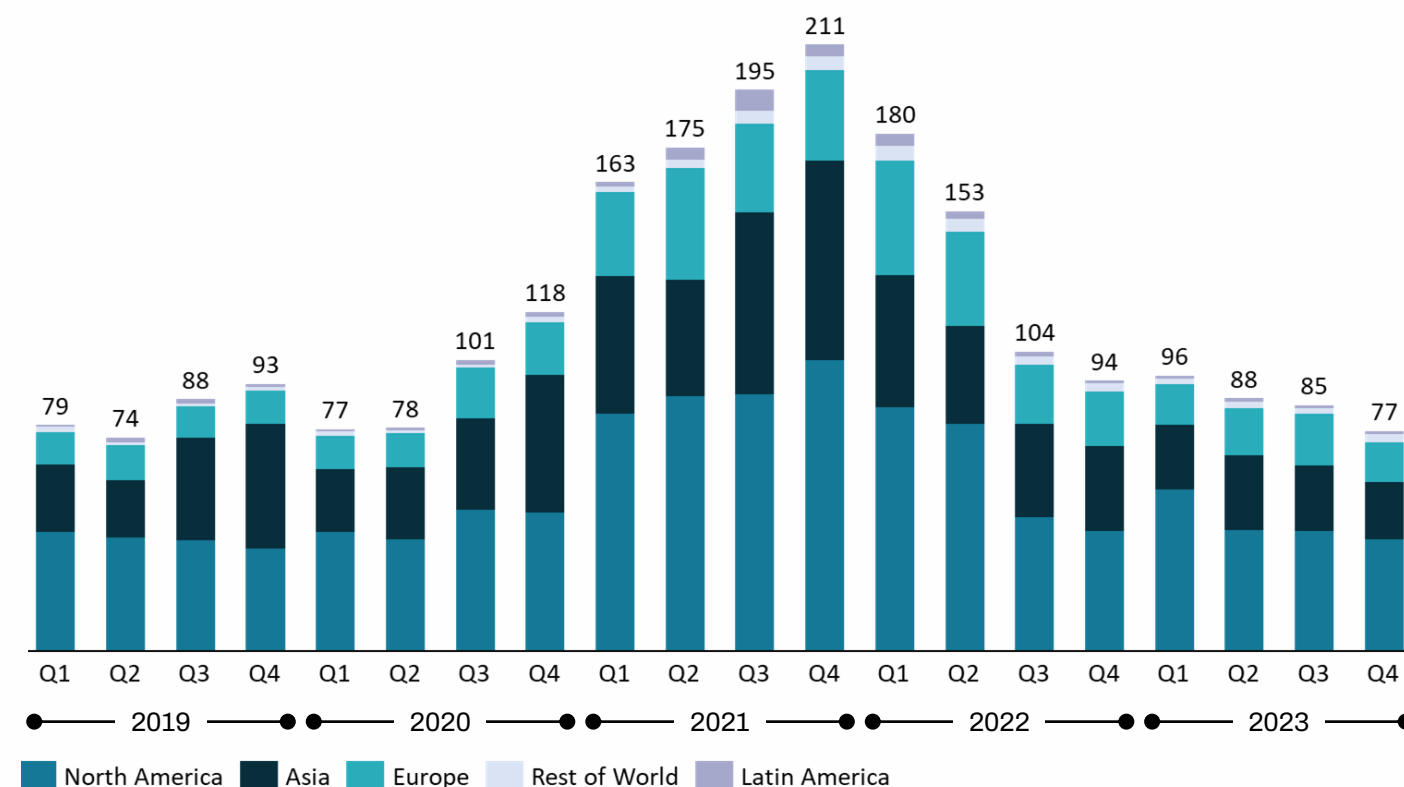
VC funding in Canada (in \$US B; in unit)



Source: Pitchbook

Scope of work: Equity and equity-like transactions surpassing US\$1M in round size in Canadian-based companies, spanning from January 2019 to December 2023 (venture debt deals might be included in some transactions where equity and debt is blended in the deal announcements). Types of deals included in the report focus mainly on SaaS (Software as a Service) transactions, marketplaces and other software-first and tech-enabled businesses.

Global VC activity (in \$US B; in unit)

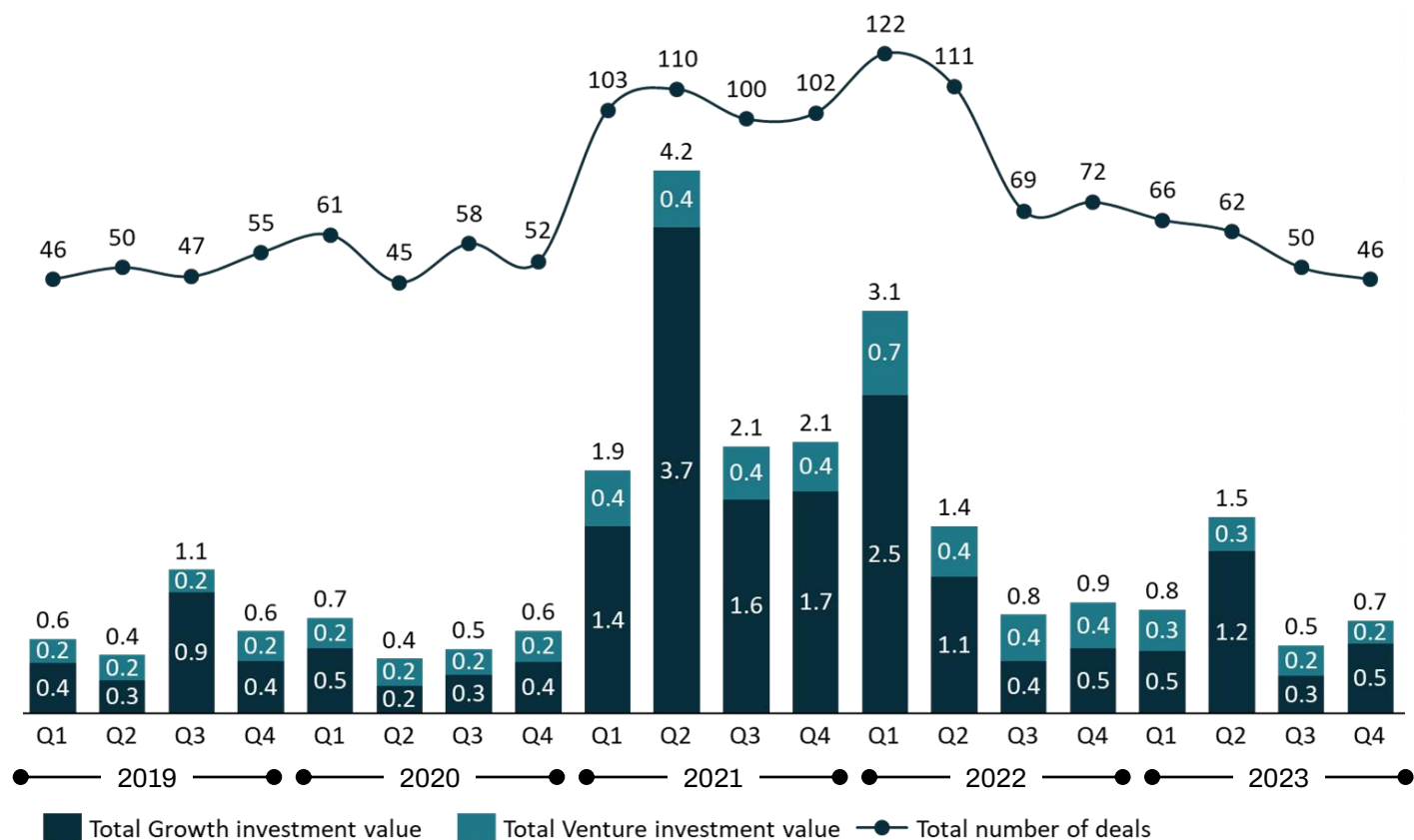


Source: Pitchbook

The last two years brought a return to normal in capital deployment

Both venture and growth fundings have returned to normalized pre-2021 levels, reaching respectively \$1.0B and \$2.5B in 2023 (+25% and +30% vs. 2019), and should continue to increase with the growth of the companies in the ecosystem given the positive momentum we're starting to see (more details on page 11)

VC funding in Canada per stage¹ (in \$US B; in unit)



1. Many growth stage convertible notes/insider rounds (which have been prevalent in 2022/2023) are not published/represented in funding data.

Venture Stage

Even through the global VC reset and the SVB crisis, Canada's venture-stage dealflow has remained active in 2023. The ecosystem stayed robust in deploying capital across Seed and Series A with dealflow across verticals, including especially strong momentum in generative AI. Furthermore, Canadian banks were proactive to support companies affected by SVB collapse.

At the same time, there's been a rising number of Emerging Managers (see page 12) investing at the earliest stages of the ecosystem, which has further contributed to nurturing high-potential startups at the pre-seed and seed stages.

In 2023, Venture experienced a notable shift toward normalized valuation expectations, deviating from the preceding two years characterized by unprecedented valuations. AI remains the only exception, still attracting high valuation compared to other sectors.



"History has shown that many great companies were started during a downturn. In a post-pandemic world, we expect to see more entrepreneurs launch their businesses outside of Silicon Valley, generating great deal flow opportunities in Canada."

Steve Woods | Partner and CTO

2. Why hedge funds are packing up and leaving VC, Pitchbook, December 2023.

Growth Stage

The mass retreat of the "irrationally exuberant" investors² impacted deal volume and prices paid in 2022 and 2023. There are also more opportunities for entrepreneurs to consolidate markets and acquire competitors, combined with breakthroughs in AI fueling the next technology platform shift.

We're seeing valuations mean-revert to below historical levels, and there has been a profound shift toward higher efficiency, resulting in a growing pool of more profitable companies to invest in.

As investors are looking for liquidity, growth-stage companies and VCs are striking a wider variety of transaction types, including more insider rounds, secondaries, structured terms and convertible notes.

In short, the current environment is increasingly investor-friendly with strong market tailwinds.



"We're seeing market tailwinds that will re-accelerate growth deal activities. Now is the best time to invest in companies growing alongside the 'Rule of 40' at reasonable valuations."

Dennis Kavelman | Partner

Founders shift focus to efficiency

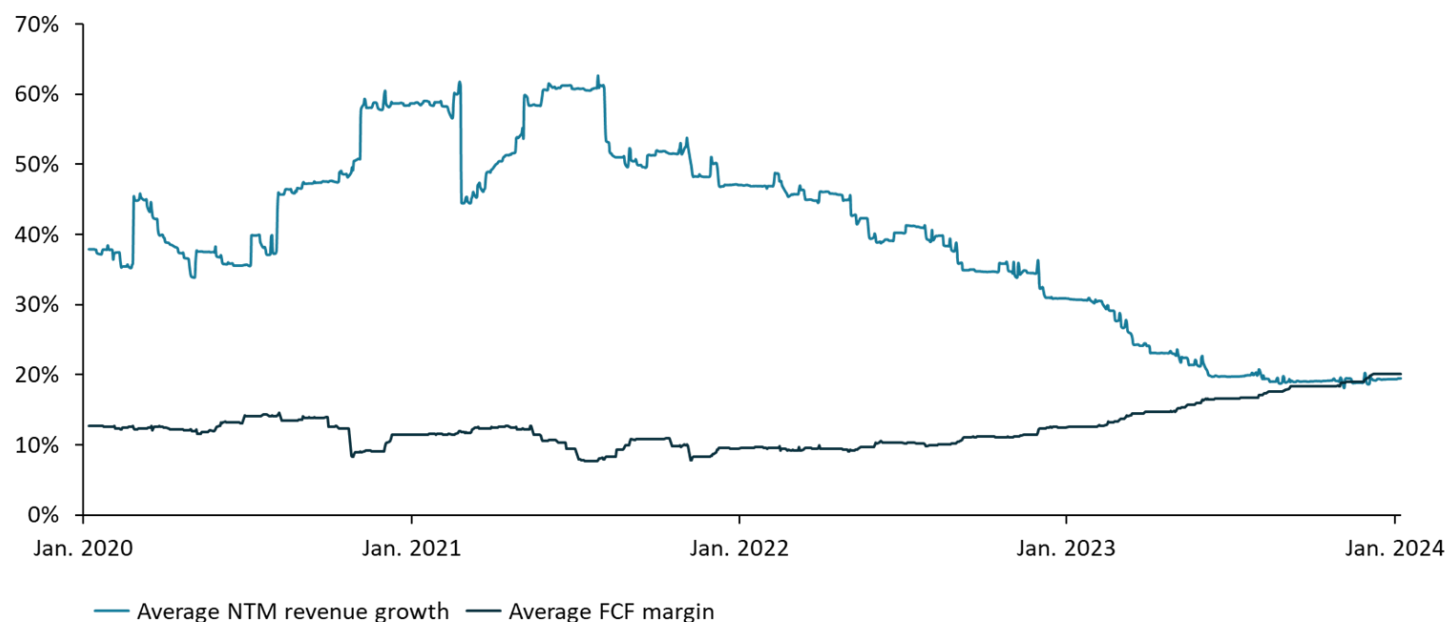
Now emerging from the global reset, public and private companies have shifted their focus from growth-at-all-costs to capital efficiency. For example, companies have focused priorities on core markets, cut the fat without sacrificing innovation and rethought their pricing strategies. While we've seen this in the public markets, we've also observed something similar in our portfolio with companies seeking out and successfully implementing efficiency measures to build up their cash runways.

We're noticing teams that made hard decisions and put in a new plan to balance growth and profitability have punched through with velocity and are energized on the other side. The next few months won't be without their challenges, but companies with solid fundamentals are well-positioned to emerge stronger.



Public Cloud Companies

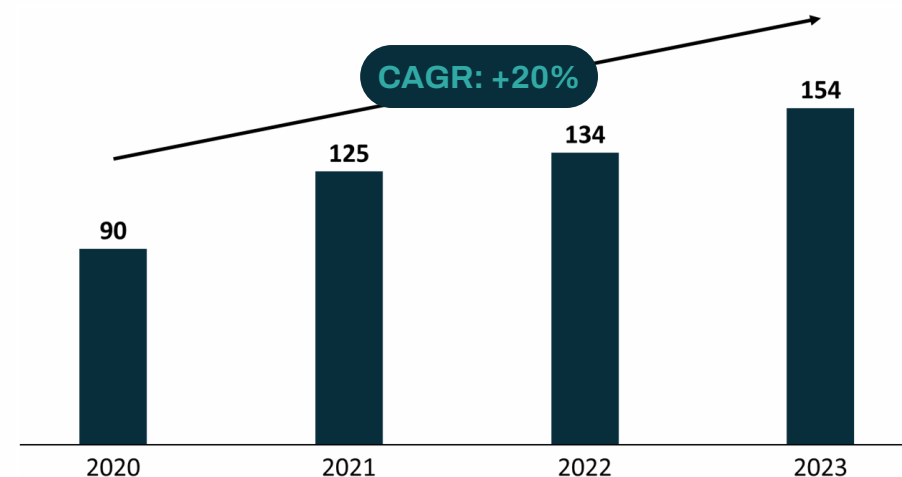
Average NTM revenue growth and average FCF margin



Source: S&P Capital IQ (as of Jan. 2024). Index of public cloud companies includes: DocuSign, Salesforce, Adobe, ServiceNow, Asana, Shopify, Snowflake, Workday, Block, Toast, Datadog, MongoDB, Atlassian Corporation, CrowdStrike Holdings, Veeva Systems Inc., UiPath, nCino, Twilio Inc., Okta, Dropbox, monday.com Ltd., GitLab, Bill.com, Procore Technologies, ZoomInfo Technologies Inc., Smartsheet Inc.

Inovia Portfolio Companies

Average revenue run rate per FTE (in K USD)



Nearly all of Inovia's portfolio companies have **24+** months of cash runway and **strong** balance sheets

Source: Inovia Analysis, Jan 2024

Canada's vibrant local growth ecosystem also draws international investment

Canadian investment firms have been the most active investors in the country in the past five years¹, showing conviction and reinforcing leadership positions in their market. Since 2019, Canadian investment firms have either led or co-led over 50% of the largest rounds, including Wealthsimple (\$600M), ApplyBoard (\$300M) and Cohere (\$270M), for example.

As more Canadian startups mature, international investors are increasingly interested in the country's software hub. In many cases, a subset of Canadian funds have built strong working relationships with international investors, such as UK-based GenerationIM joining Inovia to invest in AlayaCare and BenchSci. In particular, large international growth and private equity funds in the United States are increasingly investing in Canadian companies.

Canadian Investors

~60%

of top 20 growth companies had a Canadian investor leading or co-leading one of their growth rounds

Most active growth Canadian firms²

7 deals

INOVIA

2 deals

3 deals

CDPQ

2 deals

OMERS

bdc

International Investors

WESTCAP **Goldman Sachs** **generationIM**

PSG **ICONIQ** **MERITECH**

GENERAL ATLANTIC **WARBURG PINCUS**

Most active growth Investors firms

3 deals

TCV

2 deals

VISTA EQUITY PARTNERS

2 deals

SoftBank

2 deals

JMI EQUITY

20 largest rounds (USD) since 2019¹

1Password	\$650M (01-2022)	
Wealthsimple	\$600M (05-2021)	🇨🇦
Trulioo	\$394M (06-2021)	
Clearco	\$350M (04-2021)	🇨🇦
Assent Compliance	\$350M (12-2021)	
Vena Solutions	\$300M (04-2021)	
ApplyBoard	\$300M (06-2021)	🇨🇦
Cohere	\$270M (06-2023)	🇨🇦
Paper	\$270M (02-2022)	🇨🇦
Miovision	\$260M (04-2023)	🇨🇦
Clio	\$250M (09-2019)	🇨🇦
Loopio	\$214M (04-2021)	
AlayaCare	\$185M (06-2021)	🇨🇦
Hopper	\$175M (08-2021)	🇨🇦
Hostaway	\$175M (05-2023)	
Koho	\$165M (02-2022)	🇨🇦
Talent.com	\$150M (03-2022)	🇨🇦
Ataccama	\$150M (06-2022)	
Neo	\$145M (06-2022)	
TopHat	\$130M (02-2021)	🇨🇦

🇨🇦 Canadian firm led/co-led rounds of +\$50M

1. Canadian Venture Capital Market Overview (data reports from 2019 to 2023), CVCA | 2. Based on number of deals participated in among the top 20 deals

1. Companies having raised the largest rounds since 2019

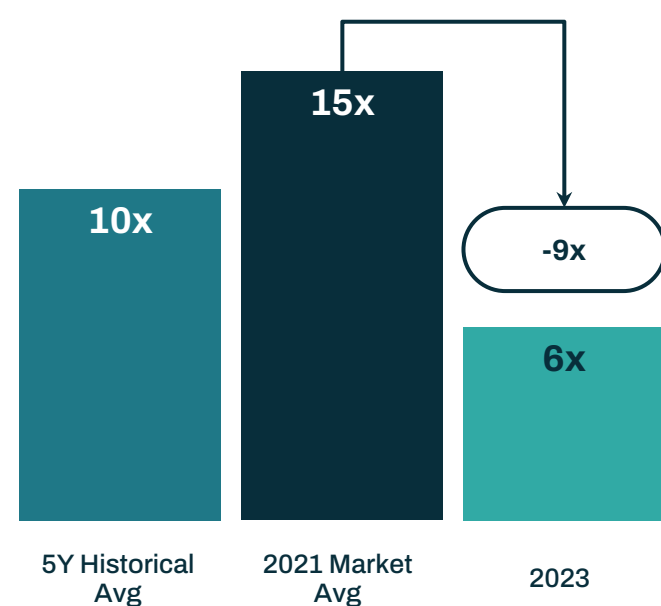
2024 outlook: generational opportunity to invest in software over the next decade

We're seeing powerful tailwinds on the ground driving a favourable environment to invest across the stack in software going into 2024:

- Mass retreat of the "irrational exuberance" investors
- More capital efficient businesses that have rebalanced growth and profitability
- Opportunities for entrepreneurs to consolidate markets and acquire competitors
- Opportunities to realign and strengthen capitalization tables for the long term
- Generative AI driving the next supercycle, with nearly as much investment going into these companies in 2023 as in software overall

Valuations are at historic lows

Public SaaS TEV/NTM Revenue¹

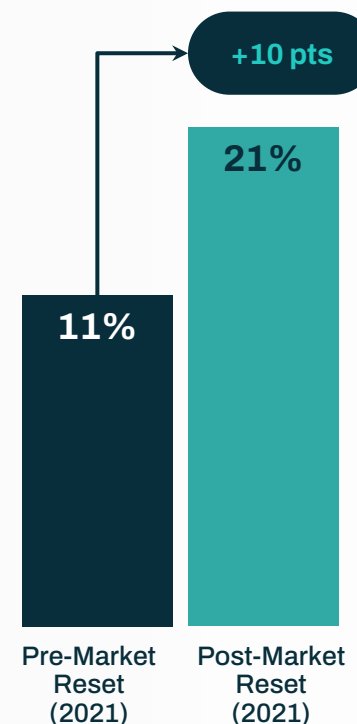


“We’re continuing to see entrepreneurs make hard decisions, set their companies up for long term success, rebalance growth and profitability, and ultimately come out on the other side more energized than ever. We believe there is a generational opportunity to invest in software over the next ten years and we are proactively in the market supporting entrepreneurs and investing across the stack — from pre seed to pre IPO.”

Hugues Lalancette | Partner

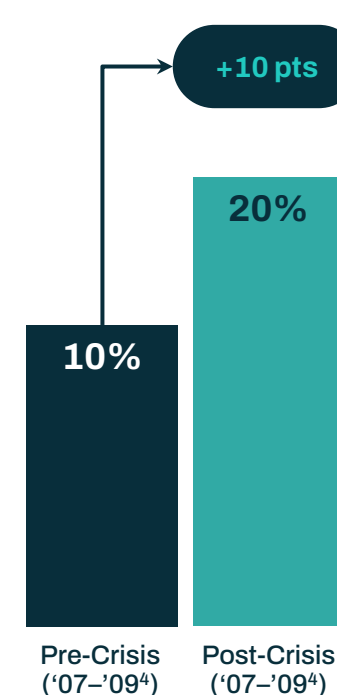
Software businesses are more profitable and more resilient

Public SaaS Free Cash Flow Margins %²



We believe now is the best time to invest

Venture and Growth Funds Benchmark³ Median IRR



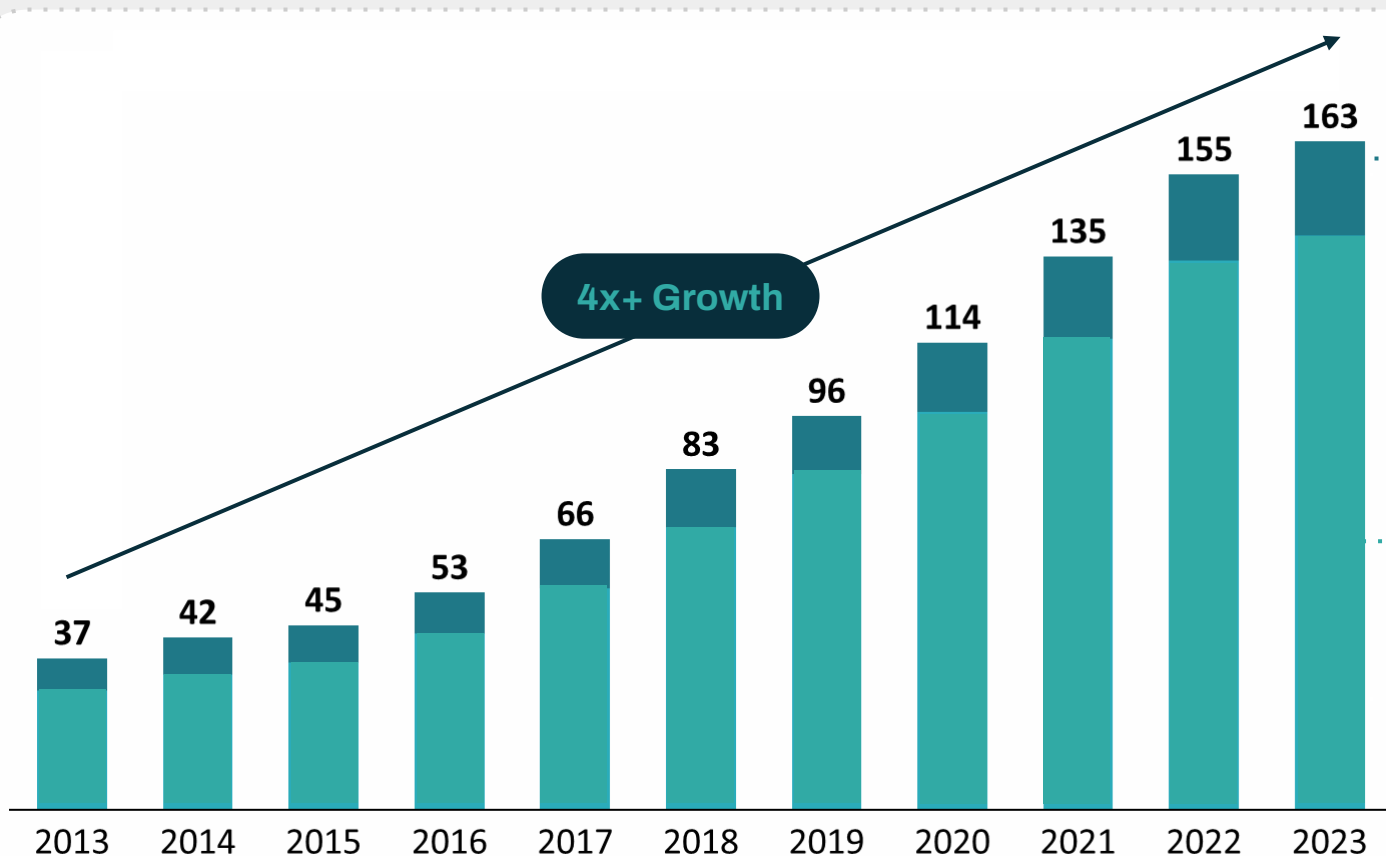
1. Bessemer 100 SaaS Index as of Q3 2023 | 2. CapIQ analysis of Public SaaS companies Q3 2023 (20+ companies from Meritech index including Salesforce, Adobe, MongoDB, Datadog, Snowflake, Gitlab) | 3. Growth funds returns benchmarks from Pitchbook as of Q2 2023 | 4. '07-'09 referring to the 2008 financial crisis.

Canada's growing landscape of Emerging Managers sparks healthy competition

Definition: In the context of venture capital, **Emerging Managers** refers to new and relatively small investment firms in the early stages of establishing themselves in the VC industry. These managers are often characterized by their limited assets under management (AUM) and more recent track records, as compared to established players in the field. As a general rule, Inovia defines Emerging Managers as early-stage VC firms that have raised three or fewer funds.

Canada has witnessed a sharp increase in new Emerging Managers over the past few years, sparking increased competition and reflecting the overall growth of the Canadian VC market. This surge can be attributed, among many other factors, to a prolonged period of low interest rates and the proliferation of success stories from Canadian tech companies, including Shopify, Lightspeed, Hopper, and many more.

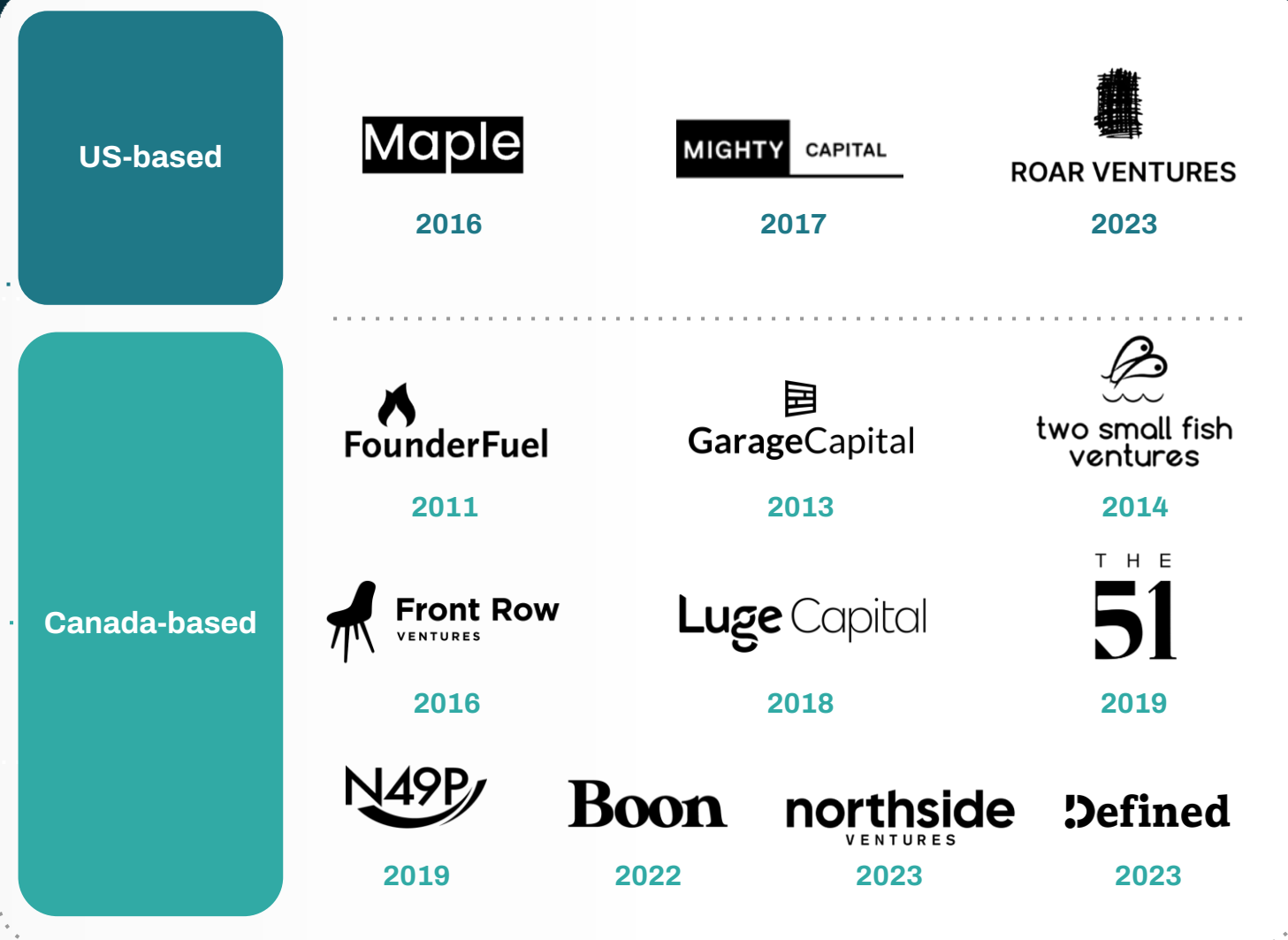
Cumulative count of Canadian Emerging Managers¹ (# funds)



1. Defined as early-stage VC firms with Canadian partners that invest in Canada and have raised three or fewer funds.



Select Inovia Emerging Manager fund investments (year founded)



Source : Inovia's proprietary database.

Emerging Managers play a vital role in stimulating the early-stage ecosystem

The impact of Emerging Managers

Enhanced competition

The presence of Emerging Managers intensifies competition within the VC space and provides additional choices for entrepreneurs, especially at the early stages. This increases the chances of early-stage startups to find the right capital partner to support them along their journey.

Greater support for niche markets

Emerging Managers often specialize in specific areas, such as niche sectors, local markets and unique investment strategies, to differentiate themselves and provide tailored support to their portfolio companies. This support is vital for the growth and development of innovative ideas and helps to bridge the tech ecosystem's funding gap.

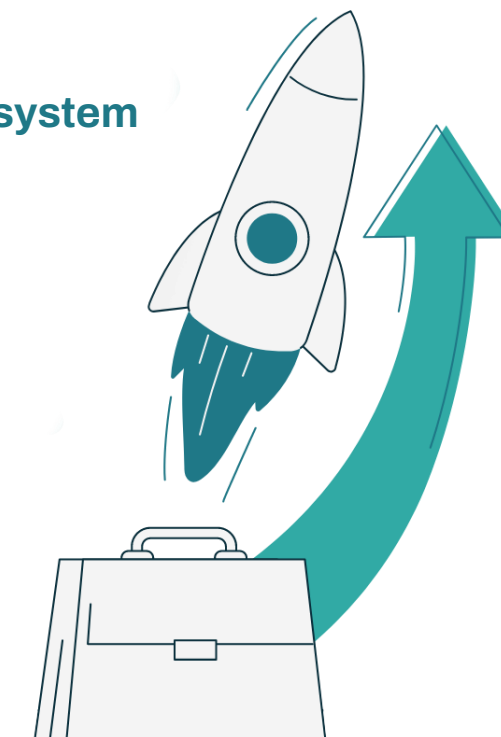
A catalyst for change

Emerging Managers are well-positioned to challenge conventional norms and encourage the adoption of more diverse and sustainable investment strategies, alongside traditional VC approaches. As a result, the larger emergence of new Emerging Managers can act as a catalyst for positive change in the tech industry.

Supporting the early stage of the Canadian ecosystem

For Emerging Managers, securing capital has become increasingly arduous in recent quarters, thanks to prevailing high interest rates and increased caution toward high-risk investment strategies. During the second half of 2022, for example, Emerging Managers in the US experienced a ~35% year-over-year decline in total fundraising.¹

Conscious of the benefits and opportunities provided by a diverse field of Emerging Managers, Inovia is actively supporting the early stage of the Canadian ecosystem. In 2023, we announced our Discovery Fund I, specifically tailored to invest in Emerging Managers with a tie to the Canadian market.



“Inovia Discovery Fund I is a natural evolution of Inovia’s Discovery Program and a testament to our unyielding commitment to entrepreneurs, from pre-seed to IPO. It will back startup companies during their most formative stages, while nurturing a cohort of Emerging Managers that are key to a healthy environment of collaboration and competition”

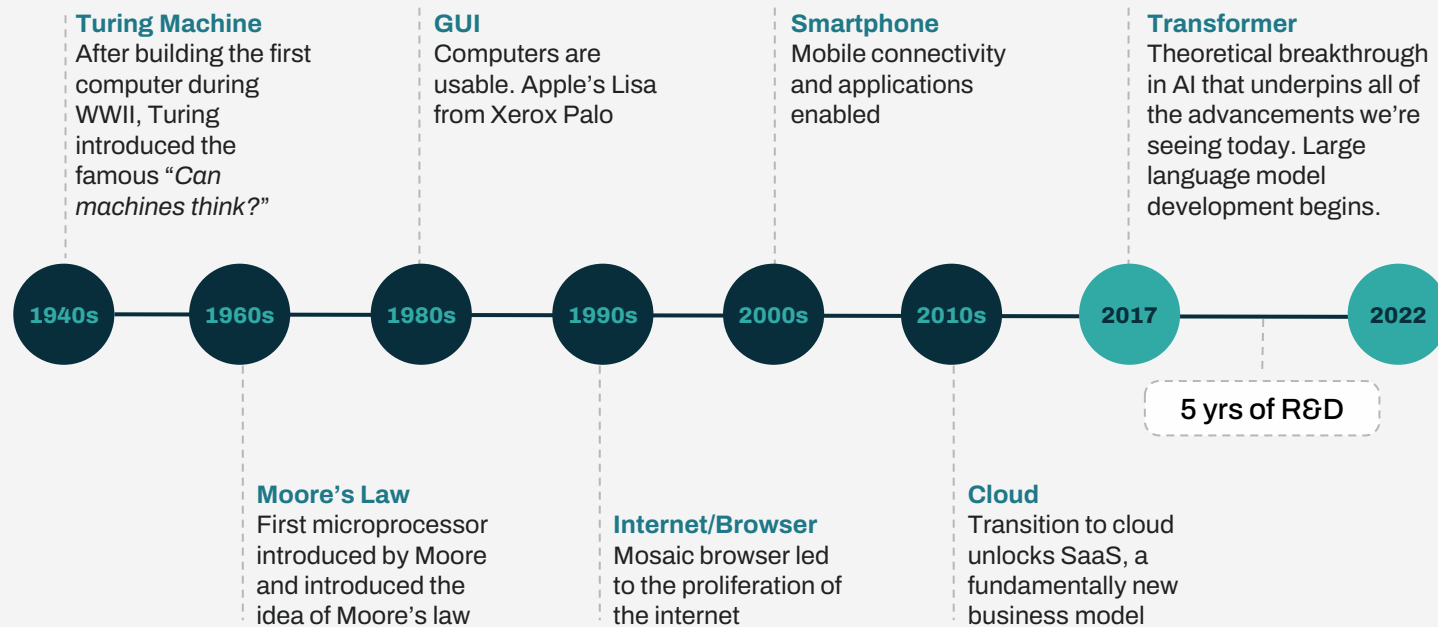
Prem Kalevar | Vice-President, Discovery Program

1. “Challenges for Emerging Managers.” Pitchbook

The AI supercycle: reshaping human-computer interaction

Advancements in AI have moved strikingly fast since OpenAI released ChatGPT in November 2022, with progress now being measured in days rather than months or even weeks. Generative AI has evolved from applications that merely process and generate text to ones that can execute complex tasks across multiple domains. As with any significant innovation, there has been a wide range of predictions about the implications of generative AI.

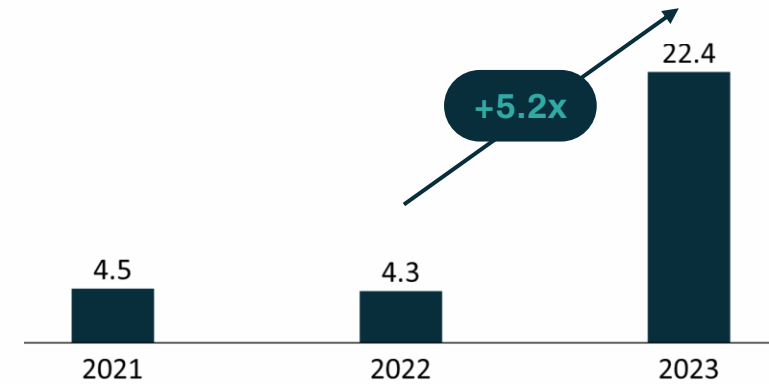
Human-computer interaction evolution over time (1940-2022)



One thing is clear – AI is an important and transformative technology. This moment in time is commonly referred to as humanity's next platform shift — analogous to the microprocessor, GUI, PC, browser, smartphone, and cloud — and investors are taking notice of the opportunity for a startup to create and capture value with this new toolset.

According to Dealroom (see chart on the right hand side), 2023 saw a 5.2x increase in investment in generative AI startups, totalling US\$22.4B (including blockbuster deals from strategic investors broken out of the graph on the next page). Much of this funding has gone to Canadian companies across deals like Cohere's US\$270M Series C, CentML's US\$27M Seed extension, Spellbook \$20M Series A and Ideogram's US\$17M Seed financing, to name a few.

Global generative AI VC deals (total value; US\$ B)



Source: Dealroom.

Largest transactions in 2023

- OpenAI** \$10B strategic financing
- ANTHROPIC** \$6B strategic financing
- Inflection** \$1.3B strategic financing
- ADEPT** \$350M Series B financing
- cohere** \$270M Series C financing

Not only are startups leveraging breakthroughs in AI to disrupt existing industries and define new categories, but incumbent companies are demonstrating unprecedented product velocity and experimentation. Management teams with a proactive approach to innovation capitalize on this opportunity to deliver new and expanded value to customers with generative AI. Of course, Canadian companies are at the forefront of AI experimentation:



Improved Search

Shopify recently built a LLM-based tool that makes it easy for employees to pull up content from the Company's internal knowledge base. Shopify believes "AI can reduce the time it takes to get tasks done."¹



Powerful Coding Assistants

At Lightspeed, the productivity of developers has improved by 20%-40% after the implementation of Github Copilot.¹



Certn AI Bots

Certn built an AI powered-bot that was able to turn a zero gross margin product into a 99% gross margin product. Rollout of the bot would equal \$1M+ in profit contributions.¹

1. "Thanks to generative AI, profits are up and costs are down at these businesses." [The Globe and Mail](#)

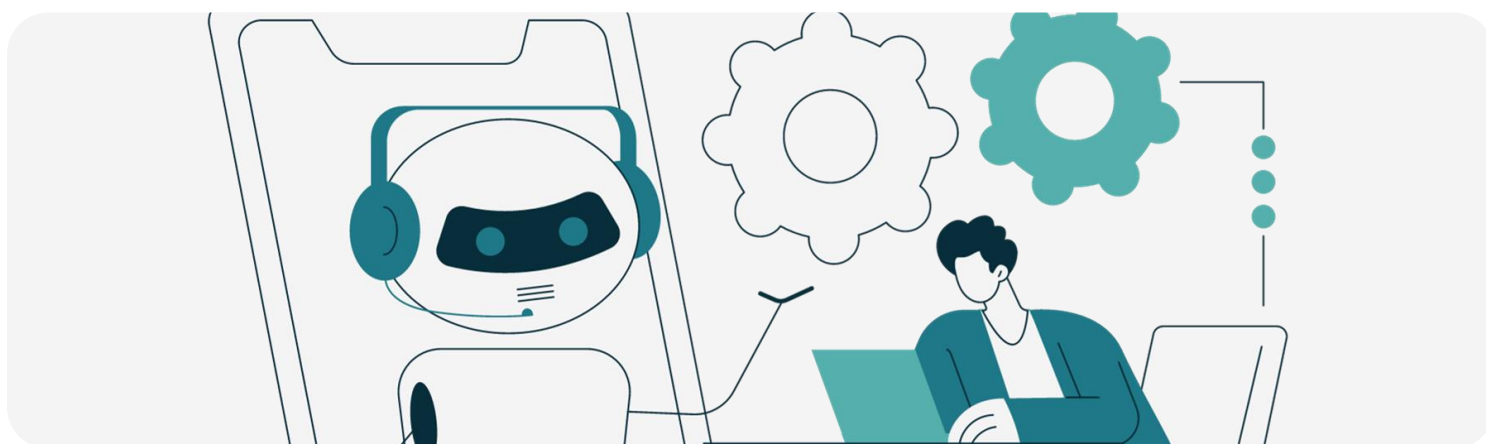
Generative AI booms on the back of Canadian breakthroughs

Canada has long held a strong foothold as one of the world’s leading ecosystems for AI technology. With top AI research institutes, the country has been an underlying force in the theoretical and commercial breakthroughs that made this supercycle possible.

In the early 2000s, Canadian researchers such as Geoffrey Hinton and Ruslan Salakhutdinov thawed the second “AI winter” with breakthroughs in deep learning that reignited AI research and kickstarted the modern field of AI.² The famous Google “Transformer Paper,” published in 2017 and credited with paving the way for Large Language Models (LLMs) and AI as we know it today, includes Canadian Aidan Gomez, co-founder and CEO of Portfolio Company **Cohere**, as one of its authors. Dozens of OpenAI’s staffers came from top Canadian schools, and the superstructure of text- and image-generators largely rests on the deep learning breakthroughs made in Canadian labs over the last two decades.²

As AI takes center stage globally, Canada has more to offer than ever before. The country’s pool of exceptional tech talent is not only growing at a faster rate than in the US but staying put. The experienced AI workers and entrepreneurs who used to leave to work abroad are increasingly staying in the country to launch or join Canadian-grown companies, many of them centred around AI.³ What’s more, talent from elsewhere is also lining up to work in Canada — when the country launched its pilot program to issue 10,000 H-1B visas to US workers earlier this year, applications hit capacity by the next day.⁴

Furthermore, Canada’s matured venture ecosystem is prepared to fund and support a new slate of AI startups that includes increased international investment in Canadian funds, and a diverse pool of capital, including government funds, GP-led firms and large banks.



1. “Canada leads the world in AI talent concentration,” [Deloitte](#) | 2. “Canada helped lay the foundations for today’s AI boom. Can it reap the rewards?” [The Logic](#).
 3. “Toronto Takes on Silicon Valley to Become AI Startup Hub.” [Bloomberg](#) | 4. “How The US Lost Thousands Of High-Skilled Workers To Canada.” [CNBC](#) | 5. “Artificial Intelligence Index Report 2023”, [Stanford University](#) | 6. “AI research publications vs GDP per capita by country, region, in time”, [OECD.AI](#) | 7. “Canada’s AI talent”, [Cifar](#)

Canadian AI accolades

Research

- 1st** country in the world with an AI strategy, invested over decades to build top research institutes (Aimee, Vector, Mila)⁵
- 1st** Canada’s global ranking among G7 nations in the number of AI-related papers per capita, in all years since 2019⁶



Talent

- 2 of 3** godfathers of AI live in Canada: Yoshua Bengio (Montreal) and Geoffrey Hinton (Toronto). Rich Sutton, one of the most recognized AI research scientists, also lives in Canada
- 3rd** largest pool of top-tier AI researchers in the world, with 10% of the world’s most elite (top 0.5%) researchers⁷



Commercial

- 670+** AI startups in Canada and **4th** global rank in generative AI companies per capital¹
- 8** emerging generative AI leaders...



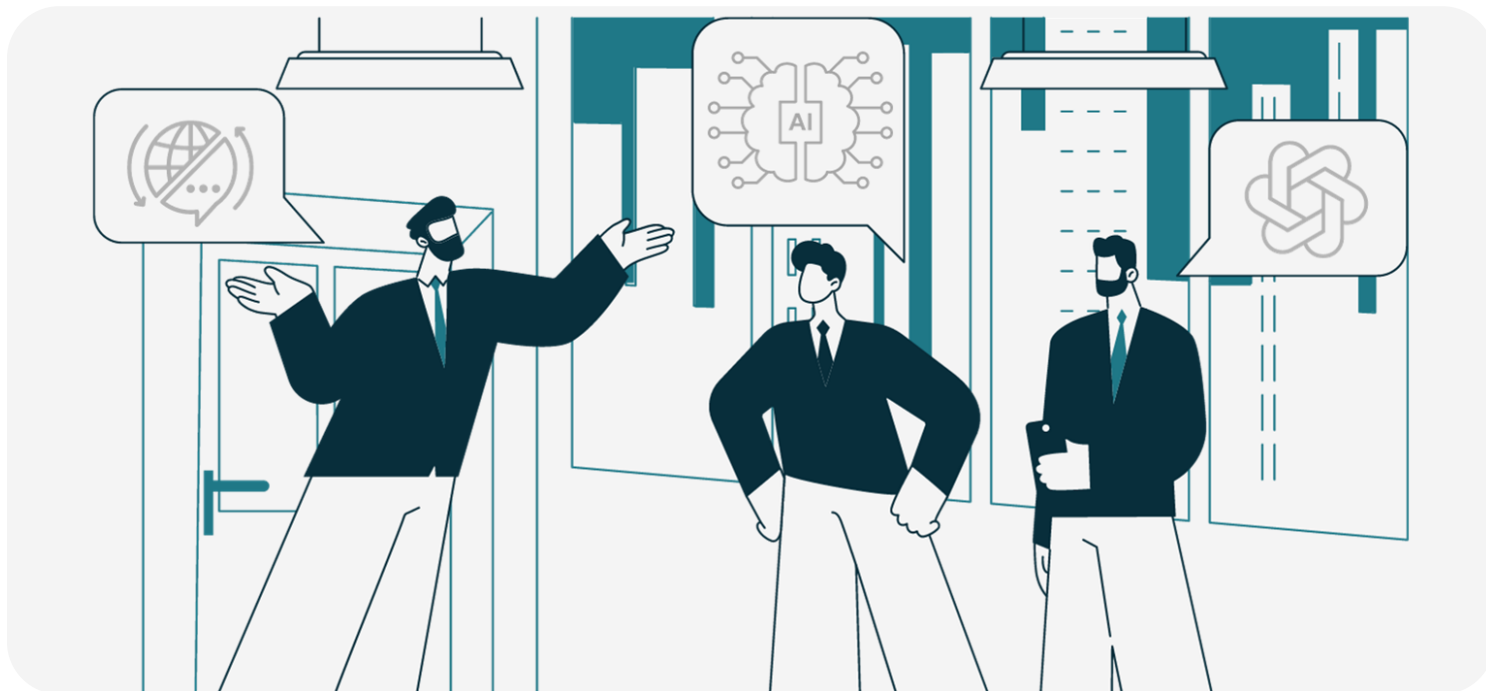
Foundational



Perspectives on generative AI from Inovia CTO Office: a moment in time

Our perspective on this market is no secret — we view this moment as an extraordinary opportunity for new value creation at the business and societal level that is developing right before our eyes. Over the last 24 months, we have assembled a team of experts to help advise the firm and guide our thinking around the implications of AI and building, operating and scaling companies in the new AI era. Our team includes multiple AI PhDs, experts from Google Deepmind, Microsoft Research, large data companies like DataDog, highly experienced financial and business experts.

This team continues to evolve our thesis around impacts and opportunities in generative AI and related areas. As such, we're presenting a select few observations and insights from these sources that we believe are important to what's happening with AI and particularly transformer-based models today:



Steve Woods
Partner
& CTO



Kory Jeffrey
Principal Investor
& VP. Technology



Noah Nagle
Associate,
Venture

Early wins have gone to incumbents. Although there's been a large influx of VC dollars (and corresponding large valuations) into the startup ecosystem, there are fewer examples of success for net new startups. Only a handful have found true product-market-fit, most of which are consumer facing (such as ChatGPT), while many are early in their monetization journey. Earlier examples of success with generative AI tools are more prevalent in sophisticated organizations with strong engineering, data hygiene, distribution and customer relationships (i.e. Adobe Firefly, GitHub Co-Pilot, Zendesk, Intercom, etc.).

Adoption of LLM-based technologies is happening and accelerating. Some 92% of US-based developers already use AI-powered coding tools at work with increasing dexterity.¹ We believe the same will be true for analysts, creators, researchers and other knowledge workers, especially for complex problem solving tasks.

AI tourism is real. Startups and even larger companies with quick user growth but limited monetization are typical. Build vs. buy procurement is happening parallel in every enterprise, often without resources for proper learning, experimentation and appropriate prioritization. In many cases it's unclear when activity will turn into meaningful and sustainable revenue.

Data and information hygiene is a competitive advantage. More than ever, it's also a necessity instead of a nicety. Companies with excellent documentation and well-organized information about products, customers, use cases, analysis and general corporate knowledge are well-positioned to get a 10x advantage in information synthesis, summarization and generation.

LLMs and chatbots are hardly a panacea to all information heavy work. Product design and user interface design are as crucial as ever. Empowering data workers with these tools and guiding them through working in new ways will be essential in delivering value while hiding complexity.

See the more comprehensive insights in [our white paper](#).

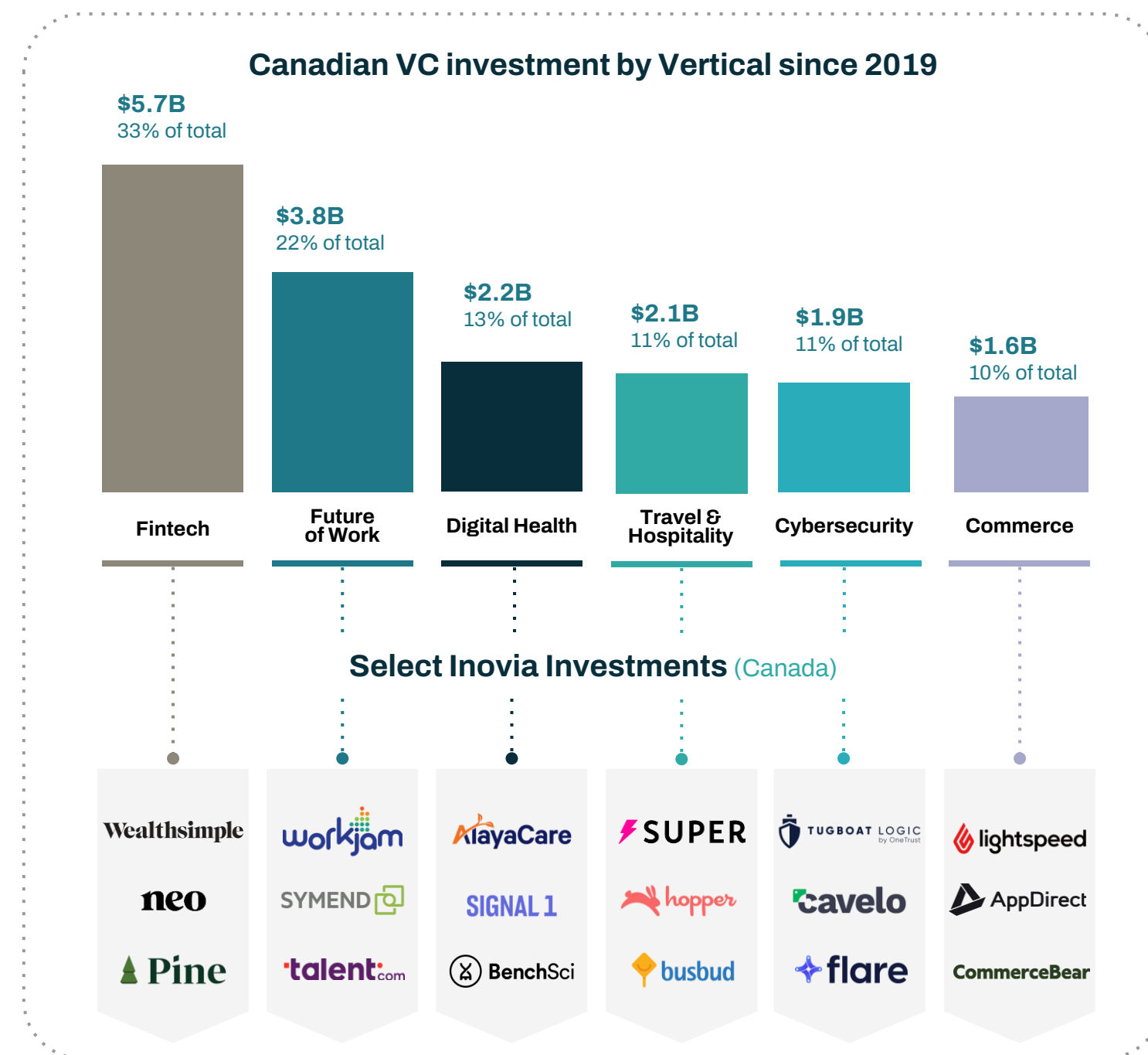
1. [Survey](#) reveals AI's impact on the developer experience

02

SOFTWARE VERTICALS DEEP DIVES

Canada, a diversified ecosystem across multiple verticals

The Canadian VC market has produced winners across a wide range of verticals, with a particularly strong presence in Fintech, Future of Work and Digital Health, key sectors of interest for Inovia. Together, these top verticals accounted for over 50% of total VC funding since 2019. Among the fastest growing sectors in the past five years were Digital Health and Travel & Hospitality, which both doubled since 2019.

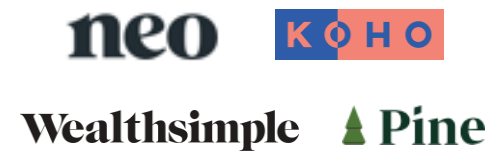


Fintech presents bright spots in SMBs, B2B payments and consumer experience

Canadian market woos consumers

With new technologies enabling us to reimagine financial services platforms and how we interact with them, consumers are branching out and looking for more from their providers. The Canadian market is seeing a rise in fintechs focused on enhancing the consumer experience with user-friendly platforms, inclusive tools, improved accessibility and enhanced personalization.

Notable Canadian Companies



Fintech-as-a-Service continues to grow

Fintech-as-a-Service has seen sizeable growth and is increasingly embedded into the fabric of various business models. This integration is helping streamline and diversify consumer and businesses' access to financial services, which can further foster innovation.

Notable Canadian Companies



Canadian fintechs elevate SMBs

Canadian fintechs are emerging as key players in supporting SMBs locally and beyond. Many of these companies aim at ease SMBs' financial management and access to capital, delivering specialized services that streamline financial activities and foster operational efficiency.

Notable Canadian Companies



B2B payments evolve

Fresh innovations in fintech are enabling enhanced transaction security and efficiency, igniting the Canadian B2B payments sector as a result. By simplifying cross-border payments and real-time processing, companies in the space are reshaping business financial operations and opening up new market opportunities.

Notable Canadian Companies



Phoebe Kitchen
VP, Growth

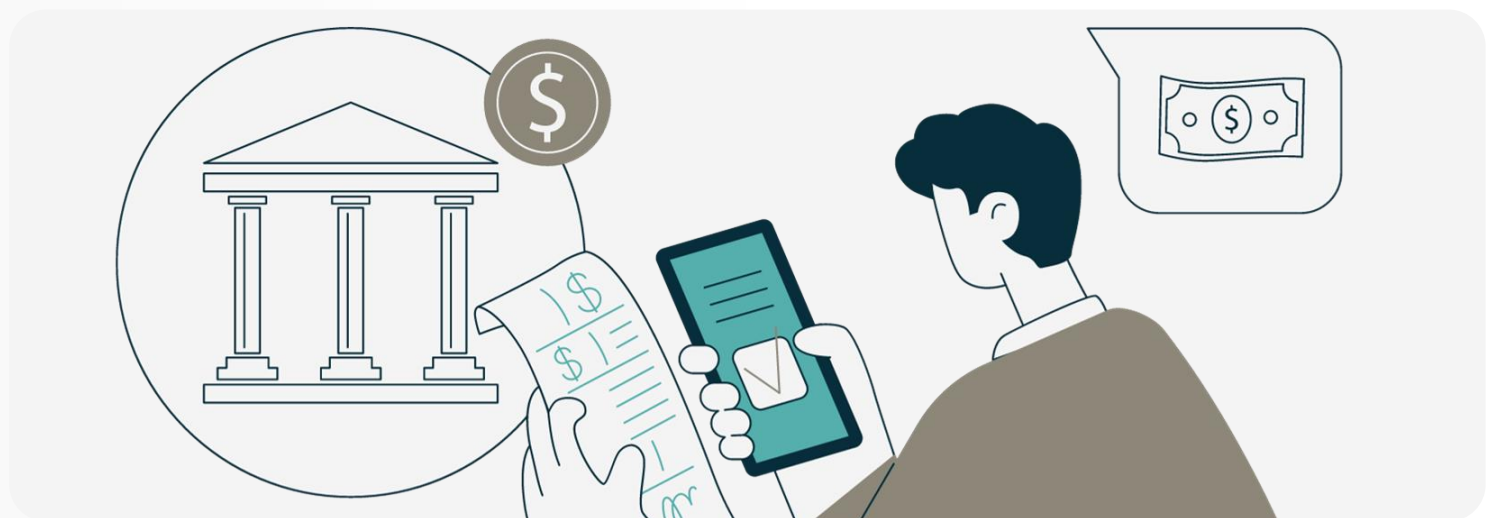


Rania Ajakane
Associate, Growth

Top Fintech deals of 2023

Company	Description	Size (US\$M)	Lead Investors
Equisoft	Insurance and investment software provider	93	Investissement Quebec
Koho	Spending and savings platform that gives cash back and help users save more	64 ¹	Eldridge
Orennia	Commercial analytics to help inform investment	25	Wellington Management
OneVest	Wealth-as-a-service platform	13	OMERS Ventures
Keep	Payment platform	11	Dhuna Ventures

1. A total of \$277 million raised, with \$64 million in equity, the remaining funds sourced from debt.



Large market opportunities in software shape the Future of Work

Empowering frontline workers everywhere

Frontline workers represent 80% of the global workforce, and we're seeing demand outstripping supply in many large end markets, including retail, healthcare, and hospitality. We're excited to see many category-defining technology companies in Canada revolutionizing how enterprise engages with its frontline workers and delivers better employee experiences globally.

Notable Canadian Companies



Shaping the future of talent acquisition

Businesses everywhere are under pressure to do more with less. They must adapt to changing market conditions faster than ever and streamline operations. The ability to source, screen and hire for the right skills quickly and at scale creates a lasting competitive advantage.

Notable Canadian Companies



Transforming data into knowledge

Organizations are in the midst of a digital transformation, and the role of workers across functions is evolving into a more data-driven paradigm — from finance to customer support and strategy. Products are emerging to augment workers, enabling more informed decision-making processes.

Notable Canadian Companies



Systems of intelligence

Business software has evolved from systems of record and engagement to systems of intelligence. In the promise of generative AI, we see the potential to enable workers to focus on higher value activities in ways that are only starting to become apparent.

Notable Canadian Companies



Hugues Lalancette
Partner, Growth



Pascale Archambault
VP, Venture

Top Future of Work Canadian deals of 2023

Company	Description	Size (US\$M)	Lead Investors
Jobber	Operations management software for home service businesses	100	General Atlantic, Alibaba Group
Workleap	Software solutions for employee experience	93	CDPQ
ContactMonkey	Contact cloud platform designed to offer, advanced email automation	55	Updata Partners
Arteria AI	Contract lifecycle mgmt platform for end-to-end digital contracting for enterprise	30	GGV Capital
Optable	Data collaboration platform & clean room solution for the ad ecosystem	20	asterX Capital, Hearst Ventures, Deloitte Ventures
Spellbook *	Generative AI legal tech	11	Moxxie Ventures, Thomson Reuters Ventures, Inovia Capital, N49P

* Inovia Portfolio Company



Digital Health is ripe for disruption as AI, next-gen data processes proliferate

Battling rising to-market costs

Bringing a new drug to market takes over ten years and an estimated \$1 billion.¹ Companies that help accelerate clinical R&D (streamlining target identification, drug design and discovery) and clinical trials (optimizing patient identification, clinical trial design and workflows) are breaking down hurdles for new medical advancements and market opportunities.

Notable Canadian Companies



Improving inefficiencies in clinical processes

The administrative burden of healthcare processes directly impact provider bandwidth. From optimizing coding and billing workflows to automating patient engagement (scheduling, intake, patient identification), we expect to see breakout companies to tackle these inefficiencies to enable providers to focus on what matters most.

Notable Canadian Companies



Tapping next-generation data infrastructure

Canadian companies are building infrastructure to enable data interoperability and ensure data security. These advancements are essential to laying the foundations for a new generation of technology-first healthcare companies and unlocking clinical reasoning capabilities.

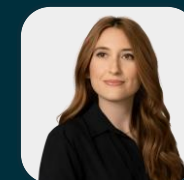
Notable Canadian Companies



Unlocking new decision-making tools with AI

AI already shows tremendous potential to support healthcare professionals and patients across various clinical decisions. We expect to continue seeing innovation in screening, diagnosis, treatment selection, and patient monitoring, with the potential for even more use cases.

Notable Canadian Companies



Charlotte Borgognoni
Associate, Growth

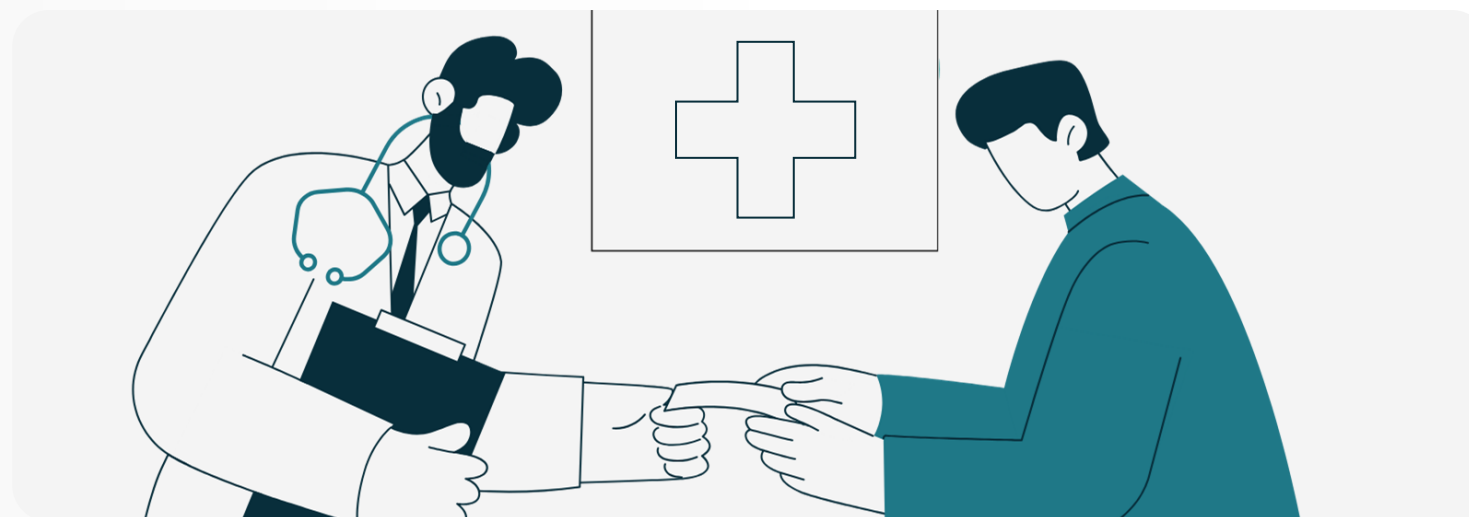


Gabi Piccinini
Analyst, Venture

Top Healthcare Canadian deals of 2023

Company	Description	Size (US\$M)	Lead Investors
BenchSci*	AI solution for preclinical R&D	70	Generation Investment Management
Vital Bio	Diagnostics tools designed to detect diseases	48	Laboratory Corp. of America, Northpond Ventures, 8VC
Smile Digital Health	Health IT platform enabling organizations to collaborate	30	UPMC Enterprises, 30 North Group
Practice Better	Nutrition practice management software	27	Five Elms Capital
ODAIA*	Data analytic platform for pharma sales	25	Monograph Capital, Threshold Ventures

* Inovia Portfolio Company



1. "Why 90% of clinical drug development fails and how to improve it?" Acta Pharm Sin B

Travel & Hospitality sector is expecting a wave of consolidation and innovation

Montreal emerges as a global travel hub

Montreal is the third largest global aerospace cluster, allowing for a strong travel tech network in Montreal with Hopper, Plusgrade, Amilia, Flighthub, Busbud and Stay22. Luxury Retreat (now Airbnb Luxe) and others are emerging as global leaders in their respective categories.

Notable Canadian Companies



Digitalization, personalization and flexibility stick post-pandemic

While travel has stabilized to pre-2020 levels, we expect some pandemic booking habits will remain; travel insurance, digital check-in apps, “bleisure” trips and digital health/visa forms present rich opportunities in the future that capture these new habits.

Notable Canadian Companies



Cash-rich consolidators will be active on acquisitions

Cash-rich companies will push to accelerate market consolidation, while single point solutions will get acquired and bundled into larger platforms. For example, systems of records are looking to expand their feature set via acquisitions or accelerate market share gain in certain regions (e.g. Lightspeed completed nine acquisitions since the 2019 IPO, and Checkfront merged with Rezdy/Regiondo in 2023)

Notable Canadian Companies



AI will mint the next big winners

With emerging consumer-facing generative AI, we expect early use cases like trip planning and customer support will quickly become commoditized. Companies that gear AI toward solving the industry’s biggest problems — like labour shortages and service interruptions — stand to win big in the long run. With this fast-moving disruption, travel companies must decide whether to play defensively or offensively in their AI strategy.

Notable Canadian Companies

Reach out if we're missing your company logo here!



Mia Morisset
Principal, Growth



Rania Ajakane
Associate, Growth

Top Travel & Hospitality Canadian deals of 2023

Company	Description	Size (US\$M)	Lead Investors
Hostaway	Channel manager platform increasing client base of vacation rental hosts	175	PSG
Super.com *	All-in-one savings super app	85	Inovia Capital
Fantuan	Restaurant ordering and delivery service mobile application	40	GrubMarket and Celtic House Asia Partners
Operto	Property automation software	25	Centana Growth Partners
RocketRez	Cloud-based operating system designed for tour and attractions operators	15	Level Equity

* Inovia Portfolio Company



Cybersecurity is now a table stake for companies of all sizes across all industries

Greater accessibility to hacking tools and leaked credentials

Malicious actors have unprecedented access to hacking tools and leaked credentials through the dark web. As a result, cybercrime has evolved into the world's third-largest economy after the US and China, standing at \$8T in 2023.¹

Emergence of software supply chain attacks

Supply chain attacks are particularly damaging because of their domino effect, caused by hackers infiltrating the systems of trusted vendors and strategically injecting malicious code into open-source software. Numerous cybersecurity startups have emerged to focus on these types of attacks and secure CI/CD pipelines.

Increasing regulatory and compliance requirements

In the wake of numerous high-profile cyber attacks, governments and regulatory bodies are responding by tightening security requirements — such as [President Biden's Executive Order on Improving the Nation's Cybersecurity](#) and [Quebec's Law 25](#), for example.

AI's dual impact on cybersecurity

AI can support cybersecurity teams and help ease the cybersecurity talent shortage by automating tasks. On the other hand, it introduces new challenges, as hackers can exploit AI models, poison training data and perform prompt injection attacks.

Notable Canadian Companies



Notable Canadian Companies



Notable Canadian Companies



Notable Canadian Companies



Taha Mubashir
Principal, Venture

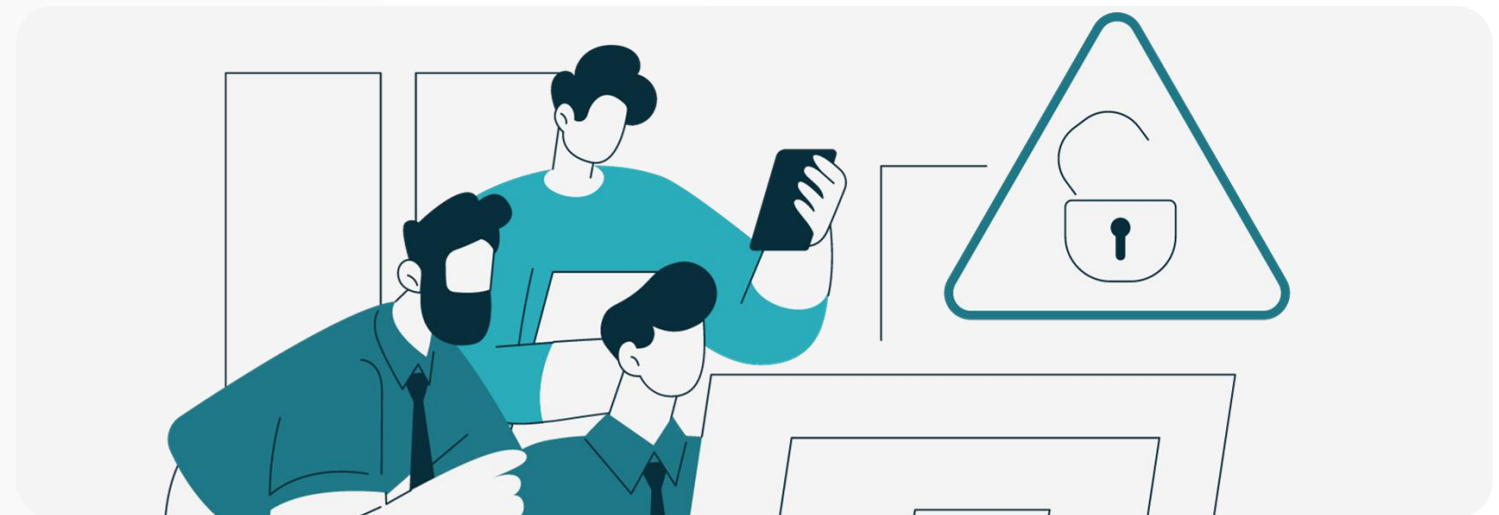


Etienne Gauthier
Associate, Venture

Top Cybersecurity Canadian deals of 2023

Company	Description	Size (US\$M)	Lead Investors
Certn*	Automated background check provider	30	EDC, B Capital
Boxx Insurance	Cyber insurance and security platform	14	Zurich Insurance
CyberQP	Privileged access management for MSPs	12	Arthur Ventures
Cavelo*	Simplified data protection and attack surface management	5	Inovia Capital
Protexxa	Platform leveraging AI to rapidly predict and resolve cyber issues for employees	3	BKR Capital

* Inovia Portfolio Company



1. "Cybercrime: The World's 3rd Largest Economy." Critical Start

Commerce's technology revitalization empowers merchants and consumers

Evolving marketplace infrastructure

The rise of omnichannel marketplaces, particularly in B2B commerce, represents a major disruption of traditional transaction channels and order flows, as seen with the digitization of procurement, multi-vendor marketplaces and digital CPQ buying experiences. B2B buyers' standards are increasingly heightened to the level of B2C experiences, with expectations of an Amazon-like shopping experience.

Notable Canadian Companies



Creating 360-degree views of the customer

Next-generation customer data platforms (CDPs) are cropping up to help companies solve digital customer acquisition and retention. These insights are not limited to digital shopping experiences — physical retail stores are becoming increasingly interconnected with customer data to provide merchants with actionable insights for brick and mortar shopping.

Notable Canadian Companies



Augmenting business intelligence for SMBs

With no shortage of business intelligence platforms already available for the enterprise, we're seeing a wave of technologies catering specifically to the needs of SMBs. The startups are bringing new levels of sophistication to the SMB stack across inventory management and optimization, FP&A automation, post-purchase customer engagement and pricing and bundling tools.

Notable Canadian Companies



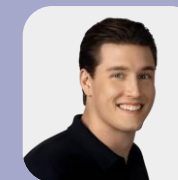
GenAI supports merchants and consumers

While still early in the technology's development, we already see generative AI applications proliferate across the commerce stack. Powerful AI agents and co-pilots are supercharging merchant capabilities across product design, pricing, A/B testing, web development and more as consumers experience unparalleled personalization for search, discovery and customer support.

Notable Canadian Companies



Mike McGraw
Principal, Growth



Andrew Biddell
Associate, Growth

Top Commerce Canadian deals of 2023

Company	Description	Size (US\$M)	Lead Investors
Carbon6	Software suite for the Amazon marketplace	66	WhiteStar Capital
Solink	Commercial video surveillance for retail stores	60	Goldman Sachs, OMERS, BDC
Vendasta Technologies	White-labelable marketplace of products & services, lead gen. and business tools	15	Foundry Group
Boxhub	Online marketplace for shipping containers	12	AlleyCorp, Solasta Ventures, FJ Labs
Powered by People	Digital wholesale marketplace	8	Altos Ventures, Golden Ventures, Susa Ventures

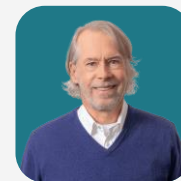
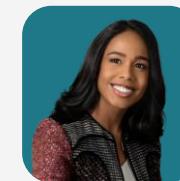
* Inovia Portfolio Company



03

SOFTWARE
M&A 
LANDSCAPE

Preparedness prevails: building success through strategic optionality

**Scott Munro**
Head of Corporate
Development, California**Meryl Almeida**
Director of Corporate
Development, Toronto

If the last decade was about unbundling software, the next one would be about rebundling. It's exciting to see more Canadian software companies leverage M&A to augment strong organic growth and accelerate their paths to category leadership. We're seeing this trend first-hand with our portfolio companies completing more than 50 acquisitions, including a number in 2023, and it's only accelerating.

Canadian public acquirers also punched through macro headwinds and doubled down on acquisitions (see slide 27). For instance, OpenText announced the acquisition of the British multinational Micro Focus for \$5.8B, Nuvei acquired Paya, a US provider of integrated payment and commerce solutions, for \$1.5B, as Constellation Software, a consistent Canadian compounder, demonstrated its commitment to strategic growth by allocating \$1.5 billion toward acquisitions, effectively utilizing 100% of its free cash flow.

On the sell-side, there is no doubt that the pendulum has swung back into acquirer territory, but here again, we've seen exits at premium multiples. These outcomes require preparedness years before the transaction ultimately taking place — notably, Ottawa-based GaN Systems, which yielded US\$830 million from Infineon, a subsidiary of Siemens. In a parallel success story, Clearpath Robotics, an Inovia portfolio company, realized a sizable exit after being acquired by Rockwell Automation for US\$565 million. Poka, another portfolio company, was acquired by IFS.

For those aiming to participate in M&A or work toward an IPO, now is the time to lean in on advisors, educate anchor investors and stay committed to charting that path. If 2023 has taught us anything, it's that preparedness — to acquire, to be acquired or IPO — continues to drive value for stakeholders, and that's likely to accelerate.



“Volatile markets have proven to be excellent times for well-positioned companies to play offense. By having a pulse on their ecosystem and investing in strategic relationships, companies are able to best position themselves for opportunistic growth.”

Meryl Almeida | Director, Corporate Development

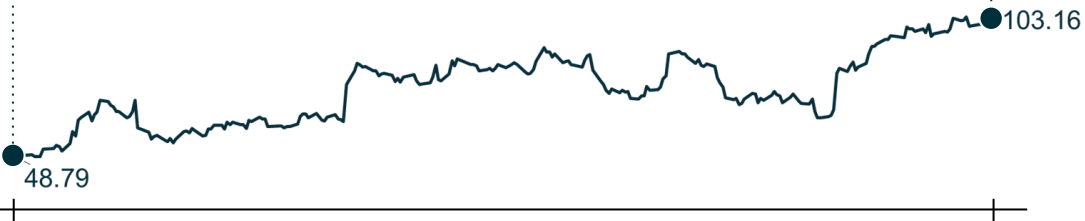
1. Constellation Software Q3, 2023 MD&A

M&A driving growth across public and private markets

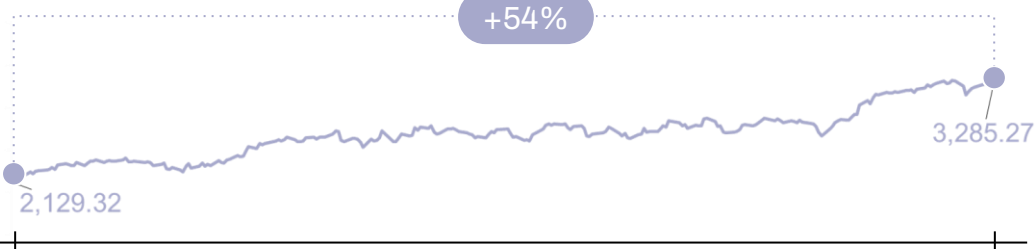
Selected public Canadian software acquirers (stock price; in CA\$)



(Market cap.: CA\$132B)¹



(Market cap.: CA\$70B)¹



(Market cap.: CA\$4B)¹



(Market cap.: CA\$15B)¹



(Market cap.: CA\$9B)¹



(Market cap.: CA\$5B)¹



(Market cap.: CA\$4B)¹

Selected private Canadian software acquirers



55+ total lifetime acquisitions

04

SOFTWARE TALENT LANDSCAPE

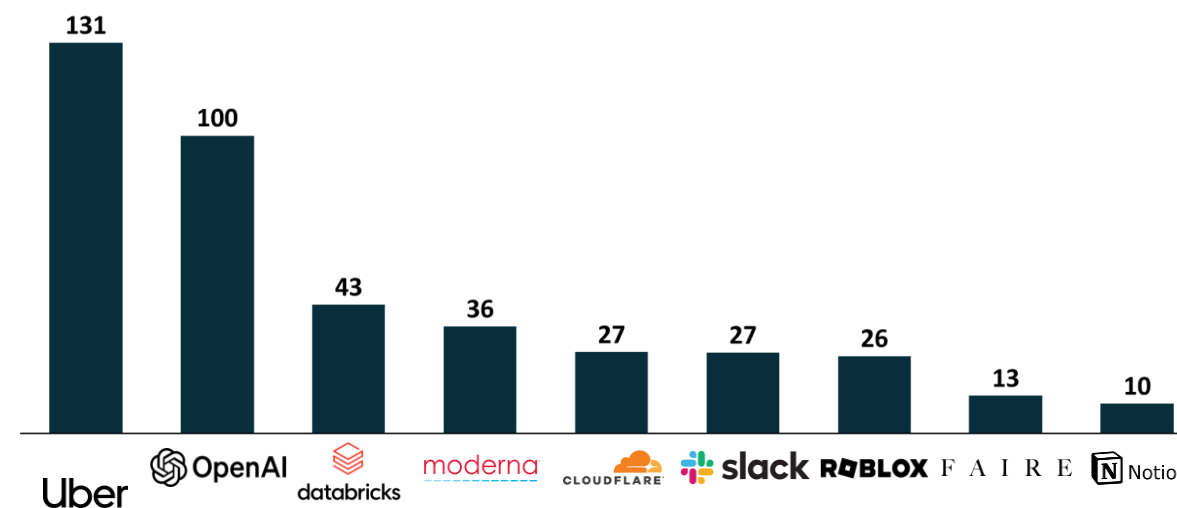
Canadian founders have long held their own on the international tech scene



Krista Skalde
Chief Talent Officer & Partner, Toronto

Over the years, Canadian universities and institutions have produced a multitude of entrepreneurs who have been instrumental in scaling multi-billion-dollar tech companies internationally. This historical narrative and Canada's esteemed education system are intricately tied and have empowered homegrown tech founders to pursue their educations at a significantly more affordable cost than other international education programs. Historically, these tech visionaries often went on to take employment opportunities or launch their startups outside of the country, predominantly in the US.

Select International Tech Companies Founded by Canadians¹
(enterprise value; in US\$ B; as of Jan. 9th 2023)



1. Tech companies founded by at least one Canadian individual or an individual who studied at a Canadian university, and headquartered outside Canada.

Numerous factors contributed to this historical trend, including comparatively lower salaries in Canada than in the U.S, the absence of major tech companies with local presence in Canada and a nascent tech ecosystem. However, fast-forward to a post-pandemic world, the Canadian tech ecosystem has significantly evolved, and remote work, among many other factors, has empowered Canadian founders to establish and operate businesses in Canada, even if their operations extend to the US. **Consequently, Canadian entrepreneurs now have access to the right partners and tools, enabling them to build and establish thriving local tech businesses successfully.**

Sources: [Maple VC](#), Pitchbook, Inovia analysis.

Now, they have a flourishing and more mature ecosystem to build locally

Deep dive into Canada's top-five hubs per tech workforce



Top talent hubs in Canada (as of 2022)

City	Ranking in NA ¹	Tech Workforce (in '000s)	5-Year % Change
Toronto	#5	286	+29%
Vancouver	#8	111	+69%
Ottawa	#11	94	+40%
Montreal	#12	172	+43%
Waterloo Region	#18	30	+52%
Calgary	#21	52	+61%
Quebec City	#35	36	+34%
Edmonton	#39	31	+45%

1. CBRE 2023 ranking of the top 50 largest tech markets in North America. The scoring methodology used 13 metrics (e.g. employment growth, workforce diversity, average apartment rent, etc.) to measure each market's depth, vitality, and attractiveness to companies and to tech workers.

Key driving forces

In recent years, Canada has solidified its position as a global tech hub due to four main forces:

- **High calibre of university research:** Canadian universities have earned global acclaim for their cutting-edge research, particularly in innovative fields like AI, placing Canada at the forefront of technological advancements
- **Presence of Big Tech:** Canada's cost advantage for hiring has made the country a preferred home for Big Tech companies like Google and Microsoft, which can benefit from the country's rich pool of diverse talent while optimizing their operational costs
- **Combination of the right stakeholders:** With thriving tech ecosystems, major Canadian cities have attracted key stakeholders including talent, investors and accelerators/incubators, creating synergistic environments essential for tech hubs
- **Government support:** The Canadian government has implemented numerous initiatives, including tax incentives, research and development grants, and support for innovation hubs, to encourage entrepreneurship and foster capital investment in technology

Sources: CBRE Scoring Tech Talent 2023 North American Report, desk research, Inovia analysis.

Thank You

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