

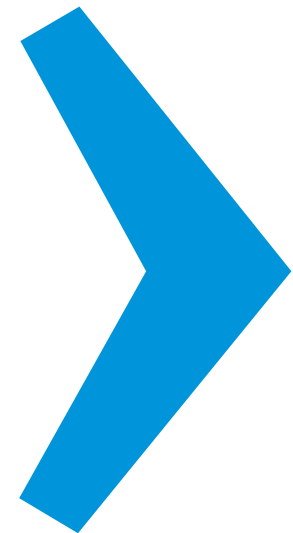
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Silicon Valley Bank

Inaugural Report

Canada Startup Outlook 2019

Key insights from the Silicon Valley Bank
Startup Outlook Survey



Startups are focused on innovating despite uncertainty

For the 10th year, Silicon Valley Bank is proud to present our **Startup Outlook Report**. The innovation economy has expanded greatly in the US and abroad in the past decade, and so has Startup Outlook. In our first report, we surveyed 300 people, most of them in California. The 2019 report includes the perspectives of nearly 1,400 technology and healthcare founders and executives primarily in major innovation hubs across the US, the UK, China and, for the first time, Canada.

In their responses this year, many startups tell us they expect business conditions to improve in 2019, and they are making plans to hire employees and raise capital. I love the fact that entrepreneurs are optimistic thinkers — after all, where would we be if they didn't have a positive outlook? At the same time, they are realistic about the challenges they may face, whether hiring top talent, planning exits during volatile markets or navigating geopolitical uncertainty (read: US-China trade tensions and Brexit).

Looking at the first report from 10 years ago, I noted that hiring top talent was a concern then — even with high unemployment rates coming out of the Great Recession. Today, we hear how hiring challenges affect businesses in every major innovation hub, whether due to unprepared workforces, immigration policies or competition with tech giants. Entrepreneurs seldom speak with one voice, but this report underscores the unified need to find solutions — or risk a slowdown in innovation.

A small but interesting measure highlights the speed of innovation: The report of 10 years ago did not mention, for example, AI, autonomous cars or blockchain — now pioneering technologies. This year, we asked respondents to predict what the most promising technologies will be a decade from now. **Check out the reports** to see what each country chose.

One more shift: Today, the innovation economy, with its size and complexity, is a key barometer of the overall economy in many places and is subject to macroeconomic tailwinds and headwinds. Whether 2019 will be a turning point for global economies is hard to know. But we do know that innovators are adept at uncovering opportunities and overcoming challenges. That is one constant I don't expect will change.

We hope you find useful takeaways in this report to help your company succeed. Thank you for your interest. Let us know what you think.



Greg Becker
CEO, Silicon Valley Bank

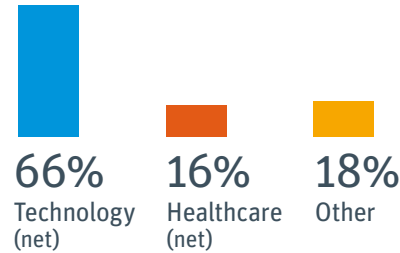
About the Startup Outlook Survey

Our annual survey of startup executives offers insights into what is on the minds of technology and healthcare leaders. For the 2019 report, we received responses from startup executives in innovation hubs primarily in the **US**, the **UK**, **Canada** and **China**.

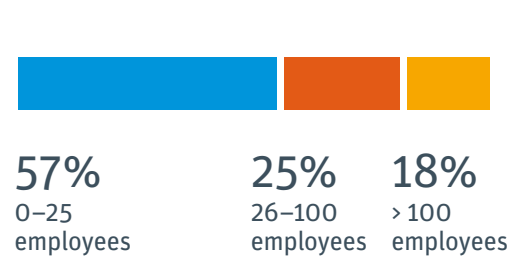
Total respondents

1,377

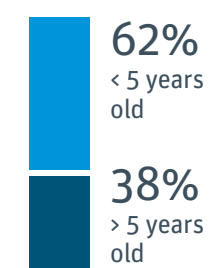
Industry sector



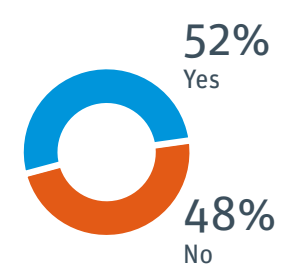
Size



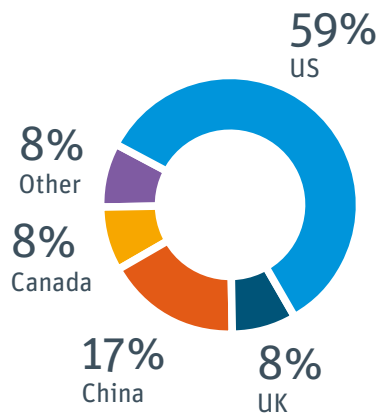
Company age



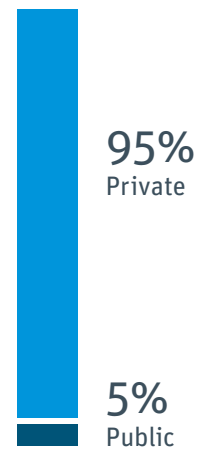
Profitable



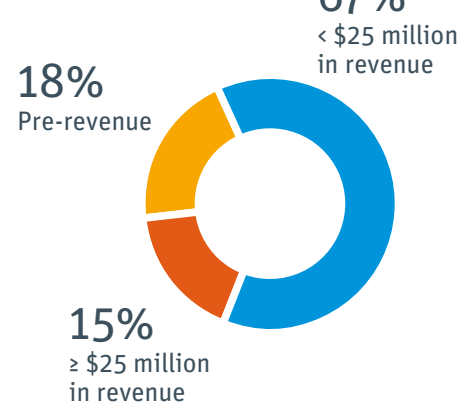
Primary place of business



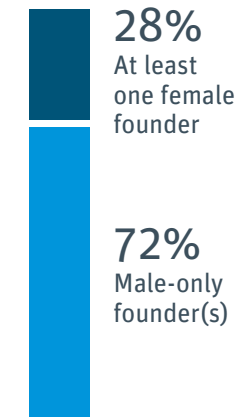
Ownership



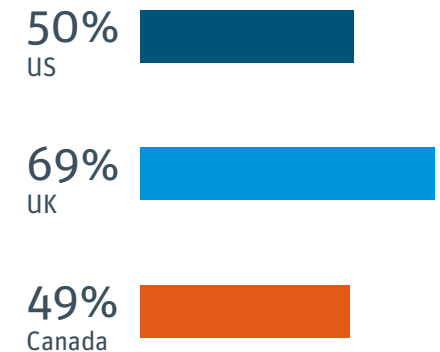
Revenue stage (USD)



Founder gender



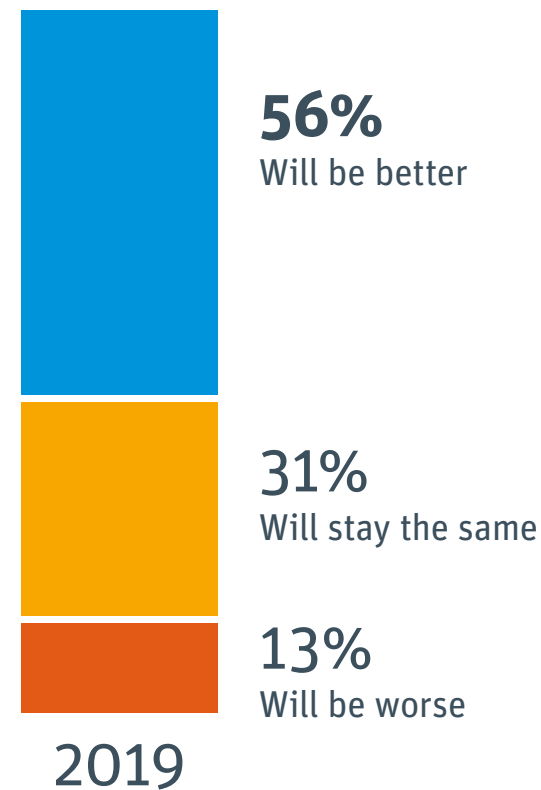
Companies with at least one founder born outside their primary country



More than half of Canadian startups say business conditions will improve

Canadian entrepreneurs are optimistic, with nearly 90 percent expecting business conditions to improve or stay the same in 2019 compared with 2018. Just 13 percent expect conditions to decline. This is in line with US startups' 2019 outlook.

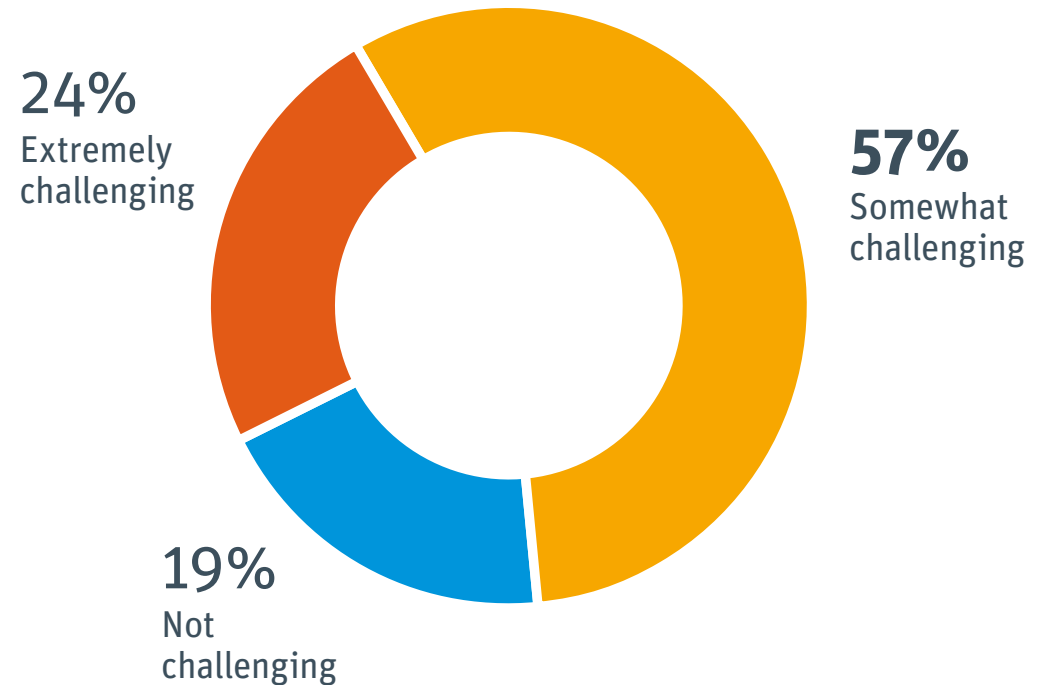
Describe your outlook on business conditions for your company this year compared with 2018.



Raising capital is challenging

In 2018, 64 percent of Canadian startups surveyed successfully raised capital. Of those, eight in 10 say the current fundraising environment is extremely or somewhat challenging.

What is your view of the current fundraising environment?

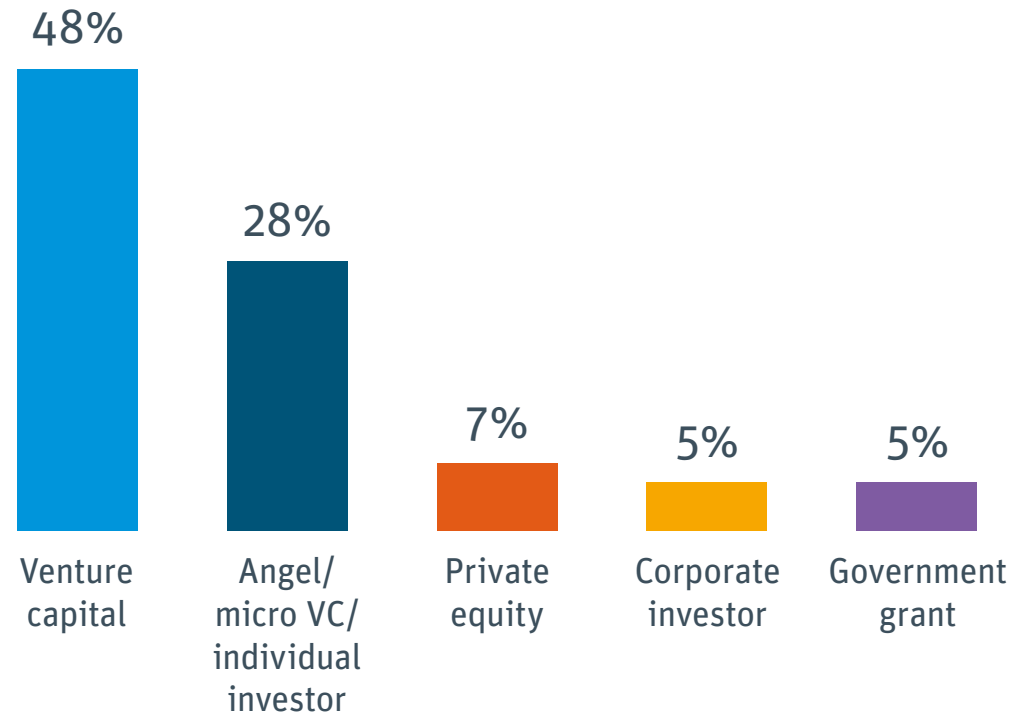


Note: Asked of private companies that successfully raised capital.

Venture capital is the top source for the next round

Nearly half of Canadian startups say they expect to raise their next source of funding from venture capital. Another 28 percent name angel, micro VC or individual investors. These smaller investors typically focus on younger companies seeking seed funding, and their significant participation may indicate that Canada's innovation ecosystem is at an earlier phase of development than other major ecosystems.

What do you expect to be your company's next source of funding?



Note: Asked of private Canadian companies that successfully raised capital. Other sources of funding represent 7%.

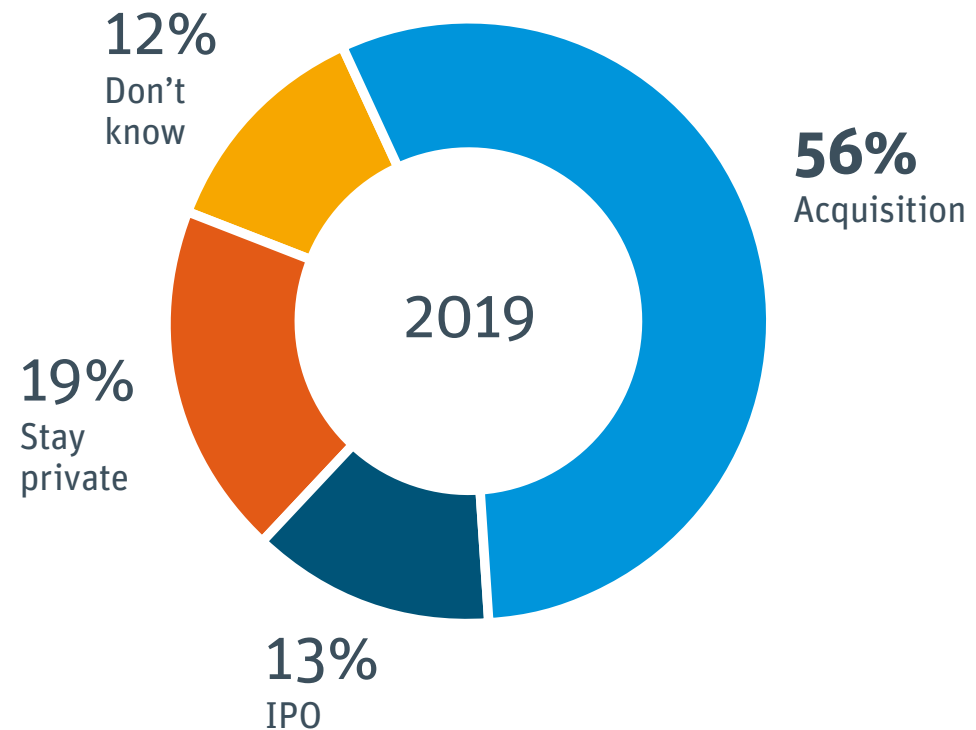
“Canada has small VCs and big investment groups. We need VCs for investments between \$2 million and \$20 million.”

Founder, cloud networking company

Most Canadian startups expect to be acquired

While IPOs grab the headlines, most startups say their long-term goal is to be acquired. One in five expects to stay private.

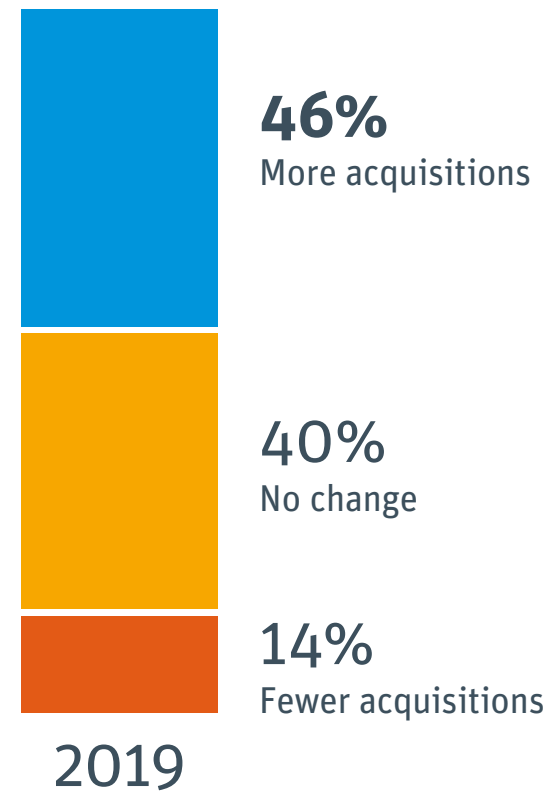
What is the realistic long-term goal for your company?



M&A activity is healthy

Eight in 10 Canadian startups say they expect M&A activity to increase or maintain 2018 levels, on par with the views of US startups. The optimism for strong M&A deals is based on availability of capital for acquisitions and the growing success and visibility of the Canadian innovation ecosystem.

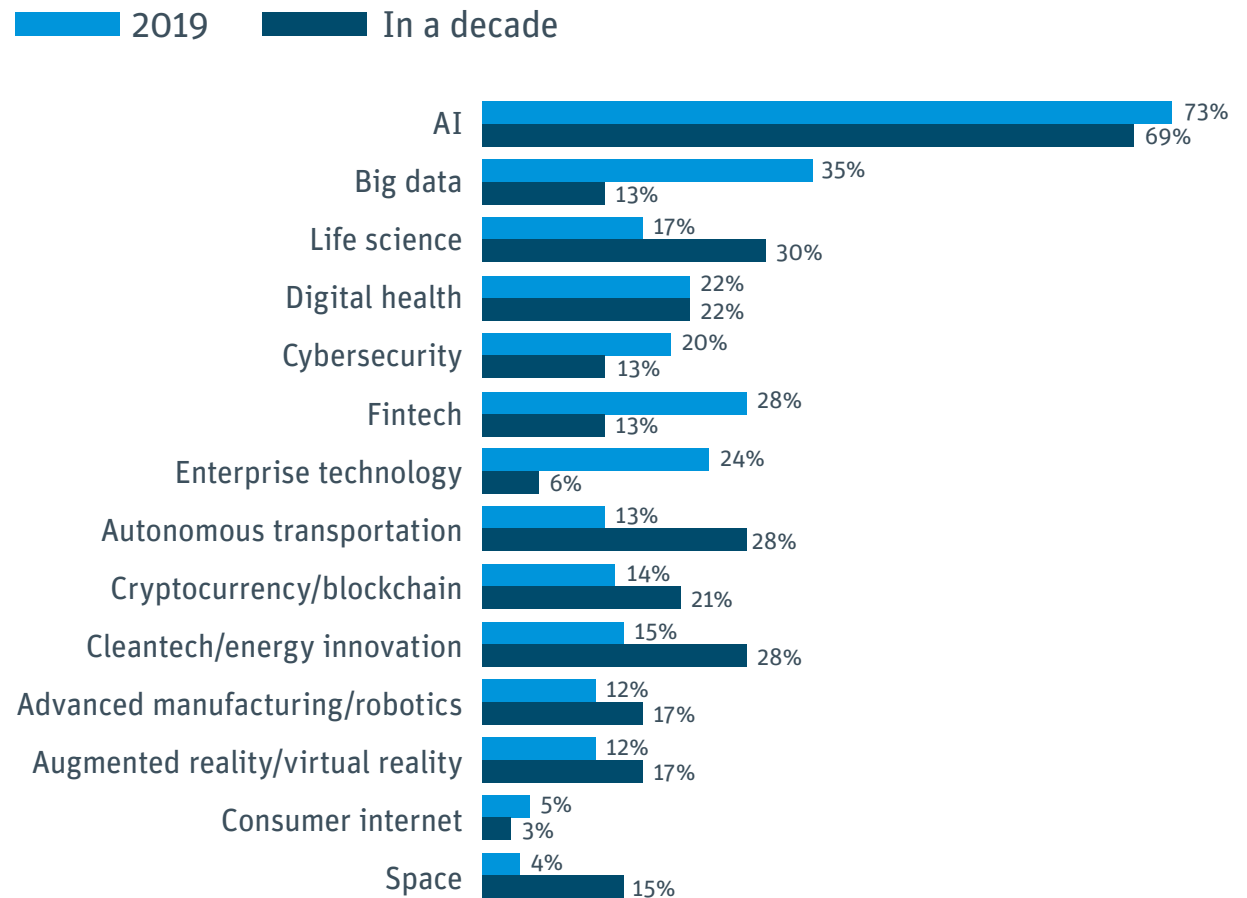
How do you think the M&A market will change in 2019?



AI is the most promising sector now – and in the future

Canadian entrepreneurs say AI and big data are the sectors with the most promise today. Looking ahead a decade, they say life science, autonomous transportation and cleantech/energy innovation in particular will grow in promise. Industry and government are collaborating on initiatives to support AI and cleantech/energy innovation in particular.

Which areas will be the most promising in the innovation economy?

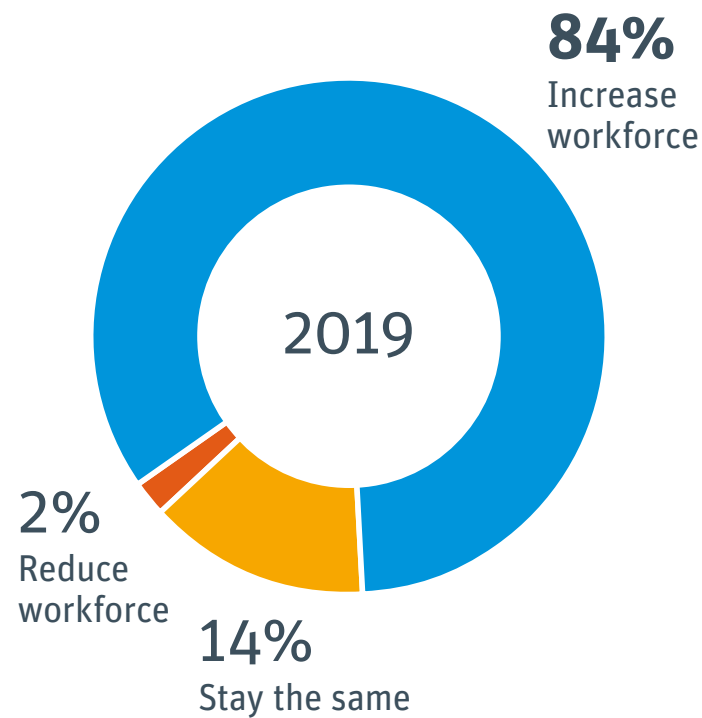


Note: Respondents could choose up to three responses.

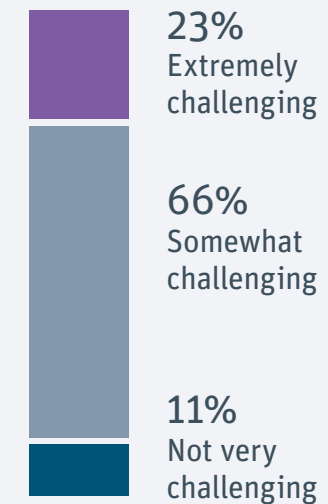
Canadian startups are eager to hire but find talent search hard

More than 80 percent of startups say they plan to add employees in 2019. At the same time, 89 percent report that it is extremely or somewhat challenging to find talent with the necessary skills to grow their businesses. Startups say they are most in need of filling product development/R&D, technical and sales positions. Canadian startup hiring projections are similar to those of US startups.

What are your projections for hiring new employees in 2019?



How challenging is it to find workers with the skills necessary to grow your business?



“We need a solid pipeline of employees, and that depends on an open immigration policy and universities that turn out more world-class employees.”

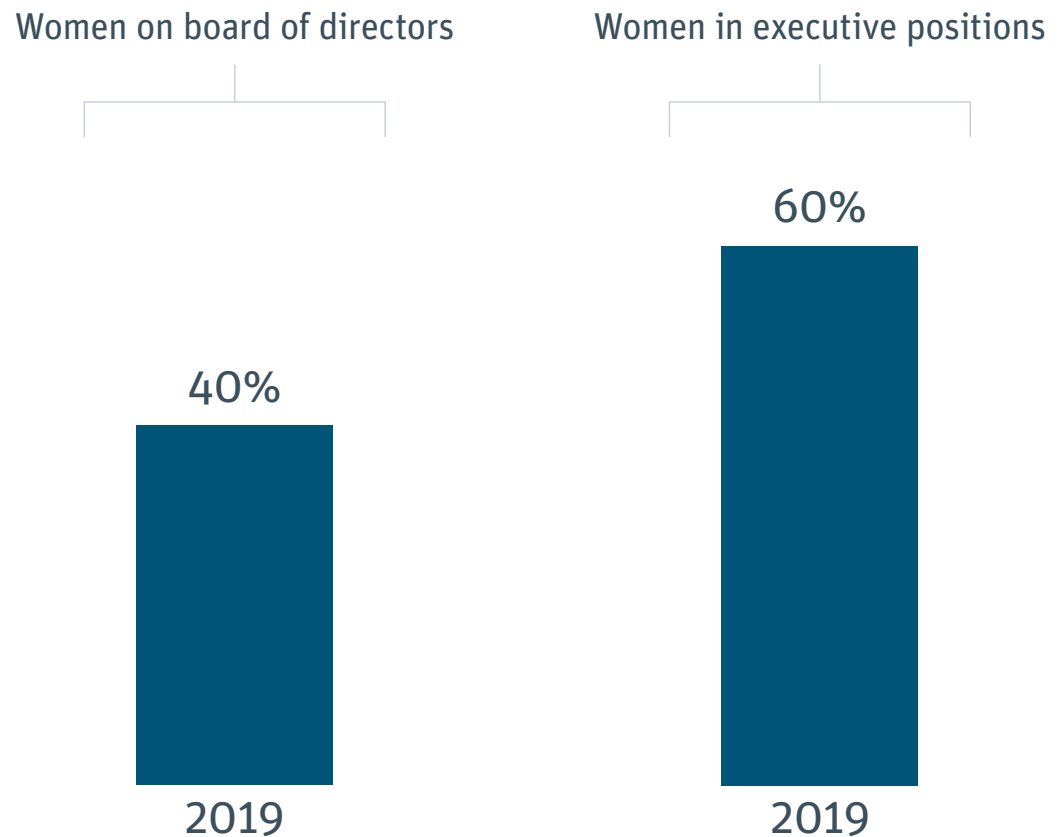
COO, software company

Six in 10 Canadian startups have a woman in an executive role

Forty percent of Canadian startups have at least one woman on the board of directors, and 60 percent report having at least one woman in an executive position.

SVB will publish an in-depth report on Women in Technology Leadership in H1 2019.

Percentage of startups with at least one woman in a leadership position:



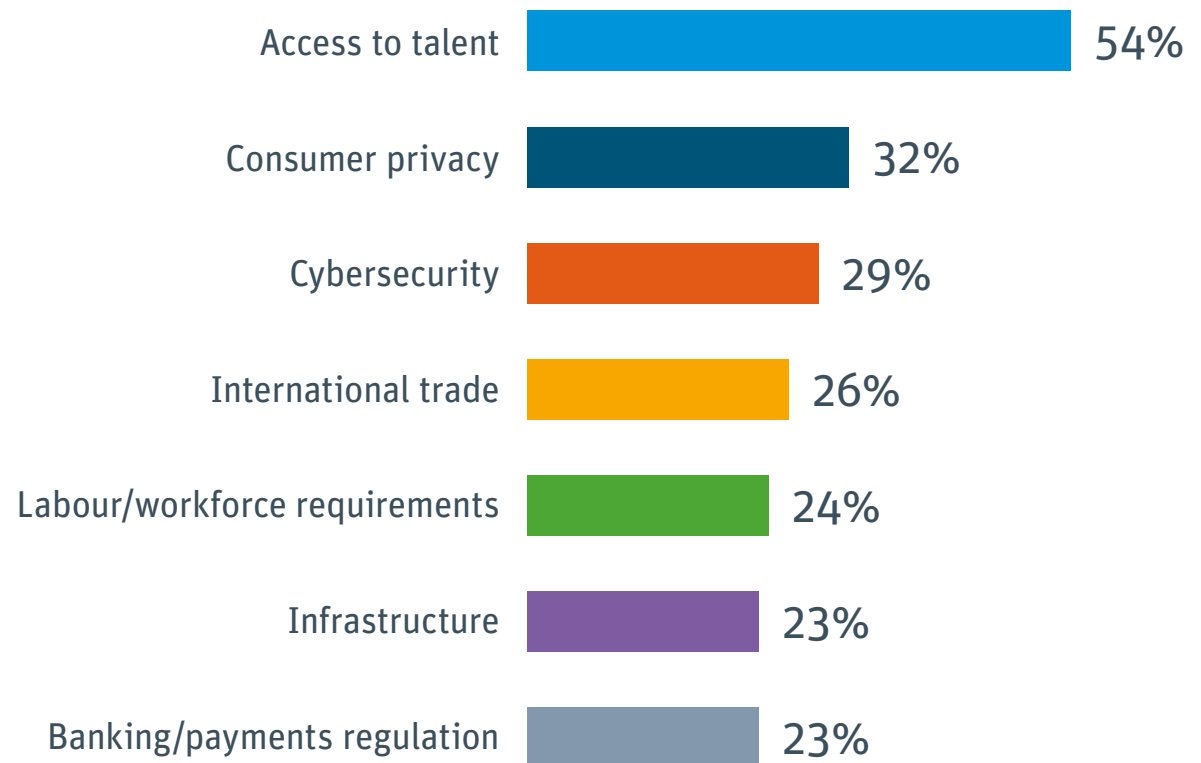
Access to talent is the top policy issue

With 84 percent of respondents planning to hire in 2019, a majority of Canadian startups say access to talent is the most important public policy issue affecting companies like theirs. It is also the top issue in the US. Consumer privacy and cybersecurity round out the top three issues.

“Consumer and entity cybersecurity and privacy concerns grow. Technology needs to focus on ensuring that individuals own and control their data.”

CEO, regtech company

What are the most important public policy issues affecting companies like yours?

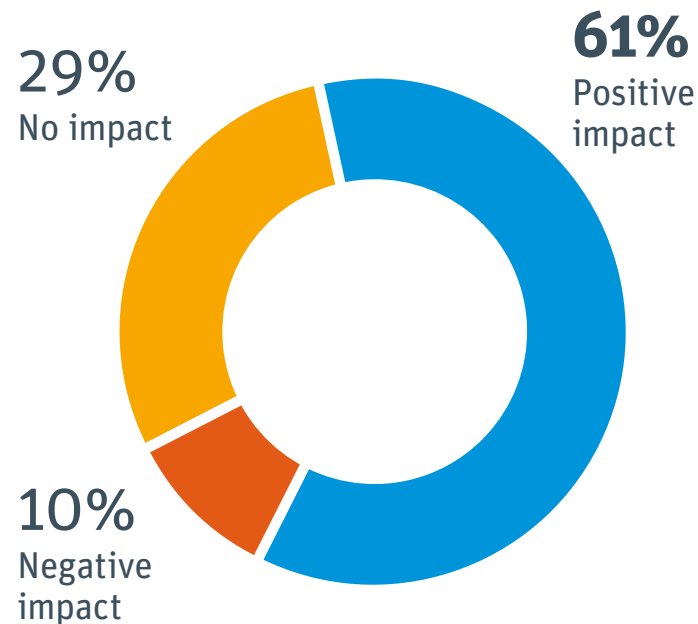


Note: Respondents could choose up to three responses.

Most Canadian startups say government support has a positive impact

Six in 10 Canadian startups have received government benefits designed to support the innovation economy. About 60 percent say government support of the innovation economy has a positive impact compared with 29 percent that cite no impact.

How would you rate the Canadian government's support of the innovation economy?



Of those receiving government support, the most common programs are:

- Scientific Research and Experimental Development tax incentive (**48%**)
- Global Skills Strategy/Global Talent Stream (**13%**)
- Start-up Visa Program (**10%**)

“The Global Talent Stream is really helpful; if it goes away, we will have a big problem hiring.”

COO, hardware company



About Silicon Valley Bank

For more than 35 years, Silicon Valley Bank (SVB) has helped innovative companies and their investors move bold ideas forward, fast. SVB provides targeted financial services and expertise through its offices in innovation centers around the world. With commercial, international and private banking services, SVB helps address the unique needs of innovators.

Learn more at svb.com/canada

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