



# **Crown Corporation**

## **B U S I N E S S P L A N S**

### FOR THE FISCAL YEAR 2012–2013

#### Innovacorp *Business Plan 2012–2013*

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## Message from the Minister

As Nova Scotia's early-stage venture capital organization, Innovacorp plays an important part in the province's *jobsHere* economic plan. The young, knowledge-based companies Innovacorp invests in and assists are innovative and globally competitive, and they create good jobs. These start-up companies are vital to growing our economy.

In 2011–2012, through Innovacorp, the province made seed investments in eight promising technology companies: Marcato Digital Solutions Inc., TitanFile Inc., GoInstant, Health Outcomes Worldwide, aioTV Inc. Livelenz Inc., CarbonCure Technologies Inc., and Seaforth Energy Inc.

Several of the recent investments were made through a new \$24-million fund created by the province as part of the *jobsHere* plan, targetting Nova Scotia's clean technology sectors. These sectors have potential to improve our economy, our communities, and our environment. Administered by Innovacorp, the new fund has come at a time of ever-increasing international demand for clean technologies and solutions, and we look forward to helping bring Nova Scotia's green innovations to the marketplace.

Also in 2011–2012, Innovacorp launched the Nova Scotia CleanTech Open, an international competition designed to find and fund high-potential, early-stage clean technology companies. The competition puts a spotlight on Nova Scotia as an ideal location for such companies to grow. The winner will be announced in spring 2012.

Innovacorp also ran its third province-wide I-3 Technology Start-Up Competition in 2011–2012. The competition's goal is to find and support early-stage Nova Scotia knowledge-based companies, and to encourage entrepreneurial activity across the province. Innovacorp received a record-breaking 142 submissions from across Nova Scotia this year, from Chester and Lawrencetown to New Glasgow and Cheticamp. The businesses chosen as first- and second-place award winners in each competition zone are excellent examples of the types of companies that will fuel future economic growth. Congratulations to all I-3 participants—I look forward to hearing about your continued success in Nova Scotia.

On behalf of the Province of Nova Scotia, I am proud of Innovacorp's work to date and confident the organization will have a continued positive impact on Nova Scotia's economic development in 2012–2013, as it works to further increase innovation, entrepreneurship, and business success stories in Nova Scotia.

The Honourable Percy Paris  
Minister, Economic and Rural Development and Tourism

## Message from the Interim CEO

In 2011–2012, Innovacorp strengthened its role in accelerating the growth of knowledge-based companies in Nova Scotia. We refined our business model to ensure all activities are investment-led, thereby improving the support available to start-up companies.

We all know that capital is the lifeblood of any early-stage company. The young, knowledge-based companies in Innovacorp's portfolio require risk capital to help fund their start-up and early development phases. Nova Scotia is considered an underserved market when it comes to access to risk capital, and so the Province of Nova Scotia, through Innovacorp, plays an important part in supporting these promising companies.

In 2011–2012, Innovacorp helped Nova Scotia deliver on the *jobsHere* plan to grow the economy by enhancing the venture capital ecosystem. We significantly increased our investment activity, making investments totaling \$5.85 million in eight promising technology companies. With these new additions, the province's Nova Scotia First Fund now has 19 investments under active management.

Last year, these portfolio companies generated about \$26.2 million in export revenues and directly employed about 220 people, resulting in a payroll of about \$9.7 million, most of which was in the form of high-value jobs. Furthermore, the investments we made in 2011–2012 leveraged an additional \$9 million in investment from other sources.

Along with capital investment, Innovacorp provided tailored, hands-on business guidance to the companies it invested in. It also delivered world-class incubation services and facilities—places Nova Scotia's technology entrepreneurs can call home.

While all Innovacorp's work—helping early-stage companies commercialize their technologies—supports *jobsHere*, we are especially enthusiastic about our increased investment activity; our management of a new \$24-million clean-technology venture capital fund for Nova Scotia; and our role in leading, on behalf of the province, the creation of a much-needed regional venture capital fund, focused on later-stage investments in Atlantic Canada.

As Nova Scotia's early-stage venture capital organization, in 2012–2013 we will continue to focus on enhancing our pipeline of investment opportunities, improving our due diligence capabilities through our new Science and Technology Advisory Council, making investments in high-potential companies, and working closely with these companies to help them achieve success. We will also work with our private- and public-sector regional venture fund partners to successfully launch this important new source of capital.

While our progress to date has been good, we need to work harder to help Nova Scotia entrepreneurs achieve their full potential. Innovacorp is up for the challenge.

Jacquelyn Thayer Scott, PhD, OC  
Interim CEO, Innovacorp

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## Mission

***We take carefully calculated risks to make profitable early-stage investments in Nova Scotia entrepreneurs.***

Nova Scotia's ability to compete—regionally and globally—is increasingly reliant on the success of its knowledge-based companies. These high-growth companies positively affect the province's prosperity more than any other sector of the economy by providing high-quality jobs and innovation.

## Vision

***We will make Nova Scotia the most entrepreneurial province in Canada.***

A vibrant and robust economy requires entrepreneurs, and Innovacorp wants to encourage and support entrepreneurship across Nova Scotia. As our motto says, "we get invested." In 2011–2012, Innovacorp modified its High Performance Incubation (HPi) business model to one focused on venture capital investment. Innovacorp's investment and mentoring divisions were merged into one service offering, and management changes were made to provide a streamlined, customer-centric offering focused on seed and Series A investments. The improved business model helps create a more supportive environment for entrepreneurs in Nova Scotia, particularly those in the knowledge-based industries.

As a result of Innovacorp's business model modifications, investment activity has been significantly increased while maintaining high-quality due diligence. Deal flow is at a record level and the number of investments made this year exceeded the total number of investments made during the previous three and a half years.

Along with capital investment, Innovacorp provides tailored, hands-on business guidance to the companies it invests in. It also offers world-class incubation services, programs, and facilities. Together, these resources help create winning conditions for Nova Scotia entrepreneurs.

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## Planning Context

The world economy has moved to a higher level of uncertainty. Last year saw natural disasters, political instability, and sovereign debt issues affect national and world economies. This level of uncertainty has not diminished. Political instability and sovereign debt issues continue. Central banks are walking the fine line of historically low interest rates to stimulate domestic demand and trying to keep the rates from being too stimulating for inflation and personal debt levels. World-wide, governments have moved away from stimulus spending and towards fiscal restraint.



With increased integration of the world economy and the pace of technological advancements, the Nova Scotia economy has been and will continue to be impacted. Nova Scotia is responding to this uncertainty by concentrating on core areas as outlined in *jobsHere, the plan to grow our economy*, released in November 2010. *jobsHere* has three interrelated priorities: learning the right skills for good jobs, growing the economy through innovation, and helping businesses be more competitive globally. These priorities are being further articulated in strategies such as Nova Scotia's Workforce Strategy, released in fall 2011.

Through the *jobsHere* plan, strategies have been and are being implemented that will improve innovation across all sectors and focus on strategic investments in innovation and productivity, increasing our competitiveness and creating higher-value jobs. By aligning investment, trade, and innovation priorities and focusing resources on key sectors, there are more opportunities for economic growth. *jobsHere* outlines specific activities that assist in developing a highly trained workforce and creating jobs and a secure future for Nova Scotians. *jobsHere* is a clear commitment from the Nova Scotia government to doing things differently in order to make life better for Nova Scotians. The plan supports all areas of the province and all sectors of the economy, meaning we all have a part to play.

Innovacorp helped develop Nova Scotia's *jobsHere* plan. Now we must help deliver on the plan, and we are well positioned to do so. While all our work—helping early-stage companies commercialize their technologies—supports *jobsHere*, we are especially enthusiastic about our increased investment activity, our management of a new \$24-million clean-technology venture capital fund for Nova Scotia, and our participation in helping to establish a regional venture capital fund.

## Innovacorp SWOT Analysis

In keeping with its culture of continual improvement, Innovacorp performs an objective SWOT (strengths, weaknesses, opportunities, threats) analysis as part of its fiscal-year business planning. The 2012–2013 SWOT analysis follows.

### **Strengths**

#### **Resources and/or capabilities that can be used as a basis to create value and/or competitive advantage**

- Brand: Strong brand awareness and “go to” organization credibility with Nova Scotia early-stage technology entrepreneurs
- Brand: Increased visibility and credibility with the private sector
- Brand: Strong client referral network

- Brand: Strong relationships and reputation with federal government
- Brand: Supportive network of professional service providers
- Capital: Venture and seed capital investment expertise; credibility with national and international institutional investment communities
- Expertise: In-house expertise and opinion leaders in the areas of innovation, commercialization, entrepreneurship, technology, early-stage investment, and incubation
- Governance: Knowledgeable, engaged, and diversified board of directors with robust corporate governance
- Infrastructure: World-class incubation infrastructure and services
- Organization: Relevancy through organization adaptability and continuous improvement culture
- Organization: Collaborative culture, leveraged to maximize synergies between private and public sectors
- Organization: Significantly increased productivity of the organization over eight years, with fewer full-time employees
- Advanced Education: Strong multi-level relationships with universities and community colleges
- Advanced Education: Early Stage Commercialization Fund with a five-year track record, 93 projects funded

## ***Weaknesses***

### **Absence of specific required strengths**

- Capital: Lack of regional institutional investors affects ability to secure follow-on investment capacity
- Infrastructure: Ability to attract clients to our information technology services platform
- Infrastructure: Lack of funding to fit-up space in the new Innovacorp Enterprise Centre
- Organization: Succession planning and retention of the senior management team
- Pipeline Management: Capacity to deliver high-quality services to the highest-potential clients, while balancing a steady flow of prospective clients
- Pipeline Management: Resources required to build pipeline for both investment and incubation

## ***Opportunities***

### **New opportunities to add value, grow, become more efficient, etc.**

- Capital: Clean technology opportunities and funds
- Capital: New private-sector-managed regional venture capital fund
- Infrastructure: Drive adoption of advanced information technology infrastructure and services among clients



- Investment Attraction: Partner with the private sector and regional and federal agencies to target investment attraction in key sectors
- Metrics: Refine Innovacorp metrics to align with the province's new metrics initiative and to measure client progress in building business capability, achieving scale and exit potential, and generating return on investment
- Pipeline Management: Continue to leverage online marketing techniques to attract new high-potential clients and strengthen relationships with existing clients
- Talent: Optimize talent recruitment opportunities, including those from outside the region, that arise from the changing landscape of today's economic climate
- Talent: Map existing and medium-term skill gaps and assist in securing talent
- Advanced Education: Increase collaboration with universities to strengthen entrepreneurial curriculum
- Advanced Education: Leverage incubation facilities located within post-secondary institutions (NSCC Middleton, Dalhousie University, Acadia University) to increase our pipeline and partnerships
- Advanced Education: Use the new Innovacorp Enterprise Centre to strengthen innovation commercialization relationships with Dalhousie University and the life sciences community

### ***Threats***

#### **Potential threats to the organization's ability to deliver on its charter that weaken core strengths or pre-empt the successful pursuit of opportunities**

- Access to Capital: Canada's weak venture capital track record and its impact on future investments
- Access to Capital: High number of undercapitalized venture-grade opportunities and their related inability to attract high-quality people and meet operational objectives result in a poor investment track record for the region
- Capital: Few active local or regional private venture capital investors
- Financial: Level of reserves and writedowns relating to high-risk investments and inability to recognize unrealized gains
- Financial: Risk that the Innovacorp Enterprise Centre fails to secure funding for building fit-up
- Financial: Unplanned requirement for significant capital investment (e.g. to repair incubation infrastructure) would cause Innovacorp to use operational funding
- Market: Slow speed of the global economic recovery affects both access to capital and access to market
- Pipeline R&D: Low level of regional industry-led R&D continues to impede the momentum of commercialization progress



- Talent: Ability of the organization to recruit and retain the required key staff and management expertise

## Strategic Goals

Two broad strategic goals drive Innovacorp's activities:

- To fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.
- To collaborate with private and public partners to build a dynamic high-growth entrepreneurial culture in Nova Scotia.

More specifically, Innovacorp's focus is to create, develop, and grow globally competitive knowledge-based companies to maximize the following benefits:

Nova Scotia Knowledge-Based Companies	
<b>Positive Nova Scotia GDP Impact</b> <ul style="list-style-type: none"> <li>• 98% export oriented</li> <li>• Capital investment attraction</li> <li>• Local corporate purchasing</li> <li>• Local wealth creation</li> <li>• Sustainability of operations</li> </ul>	<b>Ability to Attract &amp; Retain Talent</b> <ul style="list-style-type: none"> <li>• High average per person payroll</li> <li>• Diversity of jobs and career growth opportunities</li> <li>• Employability of employees</li> <li>• Urban and rural relevancy and impact</li> </ul>
<b>Provincial Tax Contributors Clean &amp; Green</b>	<b>Potential to Spin-out New Nova Scotia Companies</b>

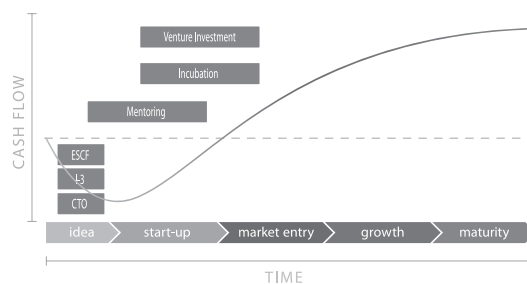
### Innovacorp Delivery Model

The early-stage, knowledge-based companies Innovacorp invests in and assists are innovative and globally competitive, and they create good jobs. These start-ups are

vital to growing Nova Scotia's economy. Innovacorp's goal is to fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

It is important to note that two-thirds of all new jobs are created by small- and medium-size enterprises (SMEs); in fact, in 2009, SMEs were responsible for 67 per cent of jobs created in Canada. Further, a 2010 study by the Kauffman Foundation found that job growth is driven largely by start-ups.

Given the crucial role young companies play in Nova Scotia's economy, Innovacorp focuses on the delivery of risk capital and supporting expertise and services to accelerate companies in the idea, start-up, and market-entry stages. The organization is especially interested in the clean technology, information technology, and life sciences sectors.



### Investment

Atlantic Canada-based venture-grade companies continue to be undercapitalized compared to US-based and other Canadian





companies. According to the Canada's Venture Capital and Private Equity Association (CVCA), the amount of capital invested in Canadian knowledge-based companies is less than half of that invested in companies based in the US, and Atlantic Canadian investment rounds are half the size of the Canadian average. Yet companies in our region must compete globally against more appropriately funded companies.

A better capitalized company is more able to meet its development objectives, manage its cash flow, and attract people with expertise and market experience to implement its business plan and increase speed to market. Being undercapitalized has particularly significant repercussions for start-ups— they must perpetually try to raise funds; they are unable to focus on building the business; and they fail to attract and retain top talent.

Innovacorp addresses the capital gap by providing early-stage high-potential companies in Nova Scotia with timely venture investments that range from \$100,000 to \$3 million over the life cycle of the investment. Its objective is to maximize return on investment for Nova Scotia while contributing to the growth of the province's economy.

Through its management of the Nova Scotia First Fund (NSFF), Innovacorp has a substantial positive impact on the province's innovation capital markets. As an active seed and venture capital investor,

the organization has played an important part in significantly increasing the amount of capital invested in Nova Scotia high-growth companies. In 2011–2012, Innovacorp invested \$5.85 million in eight promising technology companies. These investments leveraged an additional \$9 million in investment from other sources.

Innovacorp will continue to actively seek investment opportunities that offer the best potential for commercial success and financial sustainability. To this end, the organization will encourage investment in stellar seed and growth-stage venture-grade opportunities, help those companies secure private sector capital, and help entrepreneurs achieve milestones that will attract follow-on financing for future stages of company growth.

Innovacorp will foster an environment that will enable Nova Scotia to gain and maintain private sector credibility in global early-stage and venture capital markets, and will help create the necessary conditions for efficient private-sector risk capital markets in Nova Scotia and Atlantic Canada.

Along with capital investment, Innovacorp provides tailored, hands-on business guidance to the companies it invests in. By leveraging the organization's in-house expertise and our expanding network of external advisors, our advisory activities help clients find more direct and cost-effective paths to success.

Innovacorp uses a customized approach in assisting entrepreneurs, addressing the unique challenges of each client during each stage of the business-growth cycle. The assistance tackles areas such as fundamental business planning, intellectual property identification and protection strategies, access to specialized infrastructure, implementing product development best practices, financial and accounting management, cash-flow management, value proposition development, pricing strategies, competitive analysis, state-of-the-art marketing techniques, website optimization, sales and distribution channel strategies, obtaining seed and venture capital, and human resource management strategies.

### **Incubation**

Innovacorp's incubation infrastructure and programs have been internationally recognized. The sites are premier destinations for early-stage technology companies. The facilities offer much more than just space and infrastructure. They offer an environment, a community. They also offer on-site support, flexible leasing, and credibility—things that emerging companies need to increase success, grow stronger faster, and reduce costs.

Innovacorp manages three incubation facilities and provides investment guidance to clients at 104 Marine Drive in Sydney in partnership with Venture Solutions Inc.

### **Managed Facilities**

- The Technology Innovation Centre (1 Research Drive, Dartmouth) targets companies in the information technology and engineering industries.
- Innovacorp Enterprise Centre (1344 Summer Street, Halifax) focuses on companies in the life sciences and clean technology industries
- The grow-out facility (101 Research Drive, Dartmouth) is occupied by Ocean Nutrition Canada and Composites Atlantic.

The Innovacorp Enterprise Centre opened on April 1, 2011. This world-class facility is a partnership with the Province of Nova Scotia and Dalhousie University. The infrastructure replaces and builds on the strong track record of Innovacorp's former BioScience Enterprise Centre.

At the end of 2011–2012, Innovacorp's incubation facilities stood at 94 per cent occupancy (excludes greenfield space). Innovacorp will strive to maintain occupancy at its incubation facilities at approximately 90 per cent, enabling the organization to offer incubation services to new clients and allowing for expansion by existing clients.

Innovacorp will also partner in the creation of a new digital media incubation facility in downtown Halifax and assist in the development of an incubation site on the Acadia University campus. Innovacorp will share its incubation best practices with



these partners and provide access to its investment team and venture guidance.

Entrepreneurial programs such as the Business Over Breakfast series, sessions on the lean start-up methodology, and sales training were delivered by Innovacorp in 2011–2012. These programs will continue in 2012–2013.

### **Research and Development Commercialization**

In conjunction with Nova Scotia Economic and Rural Development and Tourism, Innovacorp will continue to manage the Early Stage Commercialization Fund (ESCF), which assists and supports the academic community in the pursuit of entrepreneurial opportunities. Though ESCF, Innovacorp reviews, advises and supports the early-stage technology commercialization of post-secondary institution research that has market potential.

Working closely with university industry liaison offices, the ESCF provides funding and go-to-market support for projects demonstrating readiness to advance a technology that has achieved, or is close to achieving, a prototype/proof-of-concept stage, and is approaching market readiness with a possibility of attracting industrial partners and/or investment. The prospect of generating a new revenue stream must also be demonstrated.

### **ESCF Objectives:**

- Promote and accelerate technology transfer activities in Nova Scotia's post-secondary institutions
- Provide the opportunity to assess the commercial potential of intellectual property
- Narrow the gap that exists at the very beginning of the commercialization process, and enable projects to move closer to industry collaboration and/or technology spinoff

Innovacorp will use its experience and expertise to positively influence post-secondary program development in the areas of innovation and technology commercialization. The organization will also work closely with entrepreneurship programs to facilitate learning and real world application. Further, Innovacorp will continue to participate in business plan competitions, start-up weekends, demo/podcasts, and classroom discussions.

### **I-3: Idea, Innovation, Implementation**

Innovacorp ran its third province-wide I-3 Technology Start-Up Competition in 2011–2012. The competition's goal is to find and support early-stage Nova Scotia knowledge-based companies, and encourage entrepreneurial activity across the province.

The province is broken down into five I-3 competition geographic zones to maximize community involvement, partner participation, and entrepreneur submissions. The numbers show this approach works. Since launching I-3 as a pilot in 2006, Innovacorp has received 414 start-up company submissions, including 142 submissions in 2011–2012.

Once again, Innovacorp partnered with more than 20 professional service firms across Nova Scotia to deliver in-kind business-building services to the first- and second-place zone winners. These firms are located in the communities in which the entrepreneurs reside and operate, and will provide hands-on business-building assistance to the winners in their region in the form of legal, accounting, marketing, human resource, and other relevant services.

As always, in the year ahead, Innovacorp will provide follow-up assistance and training to a selection of I-3 entrants from the most recent competition.

It is Innovacorp's intention to conduct another I-3 competition in 2013–2014.

### **Nova Scotia CleanTech Open**

Created and managed by Innovacorp, the inaugural Nova Scotia CleanTech Open was launched in September 2011. The international competition is designed to find and fund high-potential, early-stage clean technology companies. The competition puts a spotlight on Nova Scotia as an ideal

location for these companies to grow. The goal is to attract the best clean technology companies in the world to Nova Scotia.

Entrants must be a start-up business venture with a focus on a new knowledge-based product and/or service in the clean technology industry. Companies from Nova Scotia and around the world are eligible to compete. The competition winner receives \$100,000 in cash, a \$200,000 negotiable seed investment, mentoring, and in-kind support.

The 2011–2012 Nova Scotia CleanTech Open competition attracted 65 submissions from the United States, Europe, the Caribbean, China, and across Canada. The winner will be announced in spring 2012.

### **Science and Technology Advisory Council**

Innovacorp's Science and Technology Advisory Council consists of researchers and industry experts in fields related to Innovacorp's focus industries, including clean technology, life sciences, and information technology. Members provide independent, strategic advice about relevance, quality of science, and commercialization potential of technologies evaluated by Innovacorp and its clients. The council is a platform for assessing emerging science and technology issues important to Nova Scotia's economic future.



## Priorities for 2012–2013

In 2011–2012, Innovacorp strengthened its role as Nova Scotia’s early-stage venture capital organization. In the upcoming year, Innovacorp will enhance its ability to create, develop, and grow globally competitive knowledge-based companies across the province by focusing on four priorities:

1. Access to Capital: Maximizing the impact of the Nova Scotia First Fund
2. Access to Infrastructure: Maximizing the impact of the incubation facilities
3. Access to Talent: Maximizing globally competitive skills, knowledge, and expertise
4. Access to Research and Development: Maximizing the commercialization potential of applied research in Nova Scotia’s post-secondary institutions

### ***1. Maximizing the Impact of the Nova Scotia First Fund***

**Current State:** As noted above, according to the CVCA (Canada’s Venture Capital and Private Equity Association), the amount of capital invested in Canadian knowledge-based companies is less than half of that invested in companies based in the US, and Atlantic Canadian investment rounds are half the size of the Canadian average. Yet Atlantic Canadian companies must compete globally against more robustly funded ones.

The current state of the market with respect to venture capital in Nova Scotia and the rest of Atlantic Canada creates a situation where the risk profile of even the highest-potential knowledge-based companies is such that they will find it extremely difficult to secure capital. In addition, there are very few active venture funds in Nova Scotia or the Atlantic region putting a greater emphasis on the need to further scale Innovacorp’s new investment-focused business model.

Innovacorp’s role as a seed and early-stage investor is now more critical than ever. Syndication of investment transactions has been difficult and is expected to continue to be so, as will achieving the 1:3 leverage ratio we seek (i.e., for every dollar invested by Innovacorp, an additional three dollars would be invested by syndicate partners).

In 2011–2012, Innovacorp invested \$5.85 million in eight promising technology companies in Nova Scotia, and these investments leveraged an additional \$9 million in investment from other sources. Two of the eight investments were made through a new \$24-million fund that targets Nova Scotia’s clean technology sectors.

Through its increased investment activity over the last year, Innovacorp is having a substantial positive impact on the province’s innovation capital markets, but the availability of venture capital needs to expand further to provide a level playing field for Nova Scotia companies.

As set out in its *jobsHere* plan, in November 2010 the province announced it would seed a regional venture capital fund using \$15 million from the commitment it made to the Nova Scotia First Fund. New Brunswick subsequently committed \$15 million toward the fund's creation. Over the last year, Innovacorp has been working on behalf of the two provinces to set up the fund and secure additional investors. The private-sector-managed fund will target opportunities throughout Atlantic Canada and is scheduled to launch in summer 2012.

In 2012–2013, Innovacorp will

- continue to invest in early-stage Nova Scotia companies in the information technology, life sciences, and clean technology sectors
- work with incubation stakeholders to identify pipeline for incubation and investment
- work with the management teams of the portfolio companies to accelerate their preparations for market and position them for growth
- seek investment syndicate partners for its financing rounds, to increase the risk capital pool in Nova Scotia and leverage the province's capital investments

**Desired State:** The Nova Scotia First Fund is managed in a manner that provides maximum benefit to the Nova Scotia economy. Innovacorp plays a key role in improving access to capital for entrepreneurs

in Nova Scotia's knowledge-based industries, increasing the venture capital pool necessary to build and monetize competitively-capitalized venture-grade opportunities.

## ***2. Maximizing the Impact of the Incubation Facilities***

**Current State:** In April 2011, Innovacorp opened the Innovacorp Enterprise Centre on the Dalhousie University campus. The organization also developed partnerships with two other incubation facilities in the province, one on the NSCC Annapolis Valley campus in Middleton and one in Sydney. Further, Innovacorp secured funding for creation of a new digital media incubation facility in downtown Halifax and assisted other organizations with their proposed incubation facilities and programs.

In 2012–2013, Innovacorp will

- seek to secure funding from partners to cover the additional fit-up costs for the remainder of the Innovacorp Enterprise Centre
- implement a tenant recruitment marketing plan that ensures an optimal client mix and occupancy level at the incubation facilities
- collaborate with partners to identify and recruit select R&D-oriented companies from key sectors
- optimize synergies between the Innovacorp Enterprise Centre, Dalhousie





University, and the Capital District Health Authority, because of their proximity to one another

- share incubation best practices with other organizations to increase their success and maintain a strong brand for incubation
- work with the government on potential new sector-specific incubation facilities (e.g. oceans)

**Desired State:** Innovacorp ensures the incubation facilities it manages reach their full potential in the shortest amount of time, while maintaining both operational and financial sustainability. Innovacorp works with its partner facilities to enable them and their clients to reach their full potential.

### ***3. Maximizing globally competitive skills, knowledge, and expertise***

**Current State:** Knowledge-based companies seeking to compete globally require globally competitive business-building expertise. The required expertise ranges from executive leadership to finance to sales and marketing. There is a shortage of relevant, proven business-building skills available for early-stage knowledge-based companies in Nova Scotia. The majority of these companies possess relevant technical expertise, and most have a high level of industry expertise, but few have the required skills to take their technologies to the global marketplace successfully.

Innovacorp needs to ensure that it too hires the right people, with the right skills and experience, at the right time. The required expertise ranges from seasoned executive management to investment deal flow and management, to business advisory support.

The *jobsHere* plan to grow the economy includes objectives to create more opportunities for people to learn valued skills and improve productivity. Nova Scotia's new Productivity Investment Program will support those objectives by providing incentives for businesses to become more productive, innovative, and globally competitive through supporting investments in employee skills, as well as capital investments. Innovacorp's clients can benefit from such initiatives.

In 2012–2013, Innovacorp will

- develop and implement initiatives to increase exposure, experience, and knowledge in the start-up community
- leverage educational strategic partnerships that can address gaps in required entrepreneurial skills and knowledge
- support business competitions, start-up weekends, demo/podcamps, etc.
- assist clients with talent acquisition
- refresh the succession plan for Innovacorp's senior management team and key personnel

**Desired State:** Nova Scotia companies have access to world-class entrepreneurial talent



and are able to leverage this talent to build and capitalize their ventures. People with such talent see Nova Scotia as a place where they can fulfill their careers. Innovacorp ensures a stable internal environment, with an dynamic team that can keep pace with the evolving needs of Nova Scotia early-stage knowledge-based companies.

**4. Maximizing the commercialization potential of applied research in Nova Scotia’s post-secondary institutions**

**Current State:** Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. More than \$160 million in research is conducted at these institutions each year. While the local economy benefits from the education of students, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from applied research continue to be relatively low. Innovacorp will continue to engage with post-secondary institutions and also manage the Early Stage Commercialization Fund.

In 2012–2013, Innovacorp will

- continue to manage and refine the Early Stage Commercialization Fund
- leverage the database of research projects in post-secondary institutions and reach out to those involved in projects with high commercialization potential

- leverage the database of research projects in post-secondary institutions to assist them in building links with the private sector
- leverage relationships with post-secondary institutions to help implement elements of the *jobsHere* strategy

**Desired State:** Nova Scotia universities and colleges are known nationally for their innovative engagement of the business community, business-building curriculum, and the flow of applied research towards commercial products.



# Budget Context

## *Financial Management*

Innovacorp is strongly committed to achieving its financial targets. To this end, the organization works with the Province of Nova Scotia and partner agencies to strategically leverage its assets in support of economic development initiatives.

	Estimate 2011-12 (\$)	Forecast 2011-12 (\$)	Estimate 2012-13 (\$)
<b>Revenues</b>			
Provincial funding	6,557,000	7,180,000	7,472,000
NS funding recognized re capital assets acquired	152,000	186,000	77,000
Incubation	1,622,000	1,770,000	1,720,000
Mentoring	125,000	—	—
Investment	42,000	332,000	122,000
	<b>8,498,000</b>	<b>9,468,000</b>	<b>9,391,000</b>
<b>Expenses</b>			
Incubation	3,273,000	3,409,000	3,339,000
Mentoring	1,379,000	—	—
Investment	1,010,000	2,524,000	2,560,000
Corporate services	1,868,000	2,106,000	2,032,000
	<b>7,530,000</b>	<b>8,039,000</b>	<b>7,931,000</b>
<b>EBITDA</b>			
Provincial funding	6,557,000	7,180,000	7,472,000
NS funding recognized (deferred) re: capital assets acquired	152,000	186,000	77,000
Incubation	(1,651,000)	(1,639,000)	(1,619,000)
Mentoring	(1,254,000)	—	—
Investment	(968,000)	(2,192,000)	(2,438,000)
Corporate services	(1,868,000)	(2,106,000)	(2,032,000)
	<b>968,000</b>	<b>1,429,000</b>	<b>1,460,000</b>

	Estimate 2011-12 (\$)	Forecast 2011-12 (\$)	Estimate 2012-13 (\$)
<b>Non-operating items</b>			
NSFF total return	(194,000)	(428,000)	(643,000)
Post-retirement benefits and long service award	(212,000)	(212,000)	(212,000)
Amortization	(442,000)	(459,000)	(467,000)
NS funding deferred re capital assets acquired	(300,000)	(392,000)	—
Interest income (expense), dividends and capital gains (losses)	39,000	(79,000)	(279,000)
	<b>(1,109,000)</b>	<b>(1,570,000)</b>	<b>(1,601,000)</b>
<b>Surplus (Deficit)</b>	<b>(141,000)</b>	<b>(141,000)</b>	<b>(141,000)</b>



## Outcomes and Performance Measures

This section outlines the new performance measures Innovacorp will track in 2012–2013. Using 2011–2012 as a baseline, these economic impact and leading indicator metrics will provide an indication of how well Innovacorp’s strategic goals are being met. The priorities and the operational plan to achieve them are presented in this document under the section titled Priorities for 2012–2013.

In 2012–2013, Innovacorp will review and further strengthen its performance metrics to improve measurement of client progress in building business capability, achieving scale and exit potential, and generating return on investment.

Measure	Base Year 2011–12	Target 2012–13
<b>Economic Impact Metrics (M = million)</b>		
<b>Revenue generated by portfolio companies:</b> While most of Innovacorp’s clients are early-stage companies, this measure tracks the annual revenue, measured in millions of Canadian dollars, generated by current portfolio companies.	\$26.2M	\$30M
<b>Employment generated by portfolio companies:</b> This measure tracks the annual employment generated by current portfolio companies.	220	245
Total employment payroll of portfolio companies.	\$9.7M	\$10.9M
<b>Amount of Nova Scotia First Fund (NSFF) leveraged investments:</b> This is the cumulative amount (from February 1996) of investment made in client companies by the NSFF, measured in millions of Canadian dollars.	\$115M	\$130M

Measure	Base Year 2011-12	Target 2012-13
Leading Indicator Metrics		
<i>Number of early-stage Nova Scotia companies Innovacorp engaged during the year</i>	108	120
In addition to the companies referenced above, Innovacorp provided value added guidance to a number of companies that made submissions to the provincial I-3 competition.		
Number of NSFF investments	8	8
Incubation occupancy levels	94%	90%
Number of portfolio clients exporting products/services internationally	12	15

Note: The metrics provided are based on information and estimates gathered from Innovacorp client companies.