

ACCOUNTABILITY REPORT 2014-2015

innovacorp
EARLY STAGE VENTURE CAPITAL

We get invested.



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Accountability Statement

Innovacorp's accountability report for the fiscal year ending March 31, 2015, is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against Innovacorp's business plan for 2014-2015. The reporting of Innovacorp's outcomes necessarily includes estimates, judgments and opinions by Innovacorp management.

We acknowledge that this accountability report is the responsibility of Innovacorp management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in Innovacorp's business plan for the year.



Honourable Mark Furey
Minister, Department of Business



Jacquelyn Thayer Scott
Chair, Innovacorp Board of Directors



Stephen Duff
President & CEO, Innovacorp

Introduction

This accountability report covers the Innovacorp business plan for 2014-2015 and therefore should be read in conjunction with that plan, which you can download at www.innovacorp.ca/publications. The report reviews the goals and priorities set in March 2014 and describes the accomplishments and progress achieved during the year ending March 31, 2015. Financial results are provided with an explanation for any significant budget variances.

At Innovacorp, we believe in Nova Scotia entrepreneurs. Our mission is to find, fund and foster innovative Nova Scotia start-ups that strive to change the world, and our vision is that this region will one day be among the top 10 start-up ecosystems in the world. Governed by a private sector-led board of directors, we are an accountable, fiscally responsible Nova Scotia crown corporation that helps high-potential early stage Nova Scotia companies commercialize their technologies and succeed in the global marketplace.

Early stage investment is at the core of our business model, and we provide hands-on business advisory services, tailored to meet the unique and evolving needs of each of the promising technology companies in our portfolio. We also deliver value by giving entrepreneurs access to world-class incubation facilities and leveraging strategic partnerships to introduce our clients to an international network of expert advisors and investors.

Start-ups continue to drive economic development in Nova Scotia. In our last accountability report, we referenced a published survey by Entrevestor of the regional start-up community. Entrevestor repeated the survey this year and the results showed continued evolution and growth of our start-up ecosystem.¹ The 2015 report documented 287 start-ups in Atlantic Canada, 153 of which were Nova Scotia-based and of those, 34 were less than a year old. Employment in the Atlantic Canada start-ups surveyed increased 9.4 per cent year over year to 1,120 full-time positions. Company revenues were up 37 per cent, and 78 per cent of all revenues came from outside Atlantic Canada. Finally, Atlantic Canada had a record year for start-up investment, attracting \$84 million in venture capital and private equity financing, up 170 per cent from the prior year.

In 2014-2015, Innovacorp's investments in Nova Scotia start-ups mirrored the regional increase in venture capital referenced above. In fact, the Canadian Venture Capital and Private Equity Association ranked Innovacorp as the fourth most active venture capital investor in the country last year in the category "government or other". We made 12 investments in 12 companies, committing \$5.4 million. Ten of these companies were new to our portfolio. A further \$540,000 was released in milestone-based tranches with two existing portfolio companies. This \$5.94 million total investment leveraged an additional \$12.7 million in venture capital and private equity, primarily from sources outside Nova Scotia. In addition, in 2014-2015, our portfolio companies generated about \$26.3 million in revenues (an increase of 4 per cent) and directly employed about 376 people (an increase of 8 per cent), resulting in a payroll of roughly \$27.4 million (an increase of 7 per cent), most of which was in the form of high-value jobs.

Along with capital investment, Innovacorp provided tailored, hands-on business guidance to the companies it invested in. We also delivered world-class incubation services and facilities – places Nova Scotia's technology entrepreneurs can call home. The blended average monthly occupancy rate at Innovacorp's incubation facilities – the Technology Innovation Centre (TIC) in Dartmouth and the Innovacorp Enterprise Centre (IEC) in Halifax – stood at 85 per cent.

¹ [Entrevestor Intelligence – "A Portrait of #Startup East" March 2015 • Volume 4, Issue 1](#)

The following pages provide details about Innovacorp's activities and accomplishments in 2014-2015 – accomplishments that are merely a reflection of our clients' success. We continue to support Nova Scotia entrepreneurs and remain confident that each start-up milestone achieved takes us a step along the path to realizing the oneNS Commission's vision for a prosperous Nova Scotia.

Innovacorp Progress and Accomplishments

Innovacorp's work in 2014-2015 was influenced by four informative studies that are helping guide transformational change in our province. The Nova Scotia Commission on Building Our New Economy, commonly referred to as the "Ivany Report" (<http://onens.ca/commission-report/>), was released in February 2014. The report tabled 19 goals and 12 game changers as a prescription for positive socio-economic transformation over the next decade. Twelve of the goals are related to economic development, including targets for start-ups, venture capital, export development, and research and development partnerships between businesses and academic institutions – all areas where Innovacorp has an impact.

The Ivany Report was followed by three studies that examined specific elements of our ecosystem. The "Review of Economic Development Assistance Tools" was released in February 2014, "Fueling Entrepreneurship and Innovation: A Review of the Nova Scotia Government's Role in Venture Capital Provision" was released in June, and "Charting a Path for Growth – Nova Scotia Tax and Regulatory Review" was released in November.

Throughout 2014-2015, Innovacorp's management team and board of directors regularly reviewed progress toward the year's plan and ensured our work was aligned with and responsive to insights gleaned from the provincial studies. Certain fundamentals remained at the core of all our activities. We continued to collaborate with entrepreneurs, private sector organizations, professional service firms (e.g., legal, financial), angel and venture capital investors, academic institutions, industry associations, and public sector agencies to help create a dynamic entrepreneurial culture throughout Nova Scotia. Together, we made progress toward delivering on the province's strategy to support the winning conditions for private sector companies to create good jobs and grow the economy.

Reflecting on the 2014-2015 business plan, we measured our performance against the three key priorities advanced in the plan:

Priorities for 2014-2015

1. Maximize the Impact of the Nova Scotia First Fund

Innovacorp is Nova Scotia's early stage venture capital organization. One of Innovacorp's key assets is the Nova Scotia First Fund (NSFF) – combined with venture capital investment expertise. The fund targets emerging venture-grade technology companies with high-growth potential and attractive risk-return prospects. Innovacorp's strategy has been to strengthen the goodwill and credibility for the region and to build the return track record of the asset class, thereby driving the attraction of more capital to the region. A priority in 2014-2015 was to sustain our investment pace by making 7-10 investments in early stage Nova Scotia companies in the information technology, life sciences and clean technology sectors. Further, Innovacorp sought co-investors to leverage NSFF investments and to syndicate with venture capital partners from outside Nova Scotia and increase the pool of risk capital in the province.

- In 2014-2015, Innovacorp made 12 investments in 12 companies, committing \$5.4 million. A further \$540,000 was released in milestone-based tranches with two existing portfolio companies. This \$5.94 million total investment leveraged an additional \$12.7 million in venture capital and private equity, primarily from sources outside Nova Scotia. This represents a leverage ratio of 2.1:1, which exceeds

our weighted portfolio target ratio of 1.3:1. Innovacorp maintained a high level of due diligence for each of its investments while staying on budget and maintaining a brisk deal flow pace.

- Innovacorp made investments in information technology companies, including The Rounds (\$250,000), Proposify (\$250,000), SupplyStream (\$250,000), LeadSift (\$187,000), Dash Hudson (\$350,000) and QRA (\$1 million).
- Innovacorp made investments in life sciences and oceans technology companies, including Spring Loaded Technology (\$250,000) and Ocean Executive (\$100,000).
- Innovacorp made investments in clean technology companies, including TruLeaf (\$520,000), Cellufuel (\$250,000), Reno Sub-Systems (\$1.76 million), and Atlantic Motor Labs (\$250,000).
- Innovacorp released milestone-based tranches for two 2013-2014 investments: Livelenz (\$390,000) and Performance Genomics (\$150,000).
- Innovacorp invested \$1.57 million as a limited partner in two funds: Build Ventures (\$1.28 million), the Atlantic Canada venture capital fund, and Cycle Capital (\$290,000), a clean technology fund.
- As of March 31, 2015, \$14.19 million has been drawn against the NSFF's active statutory capital authorizations and an additional \$14.5 million has been committed, leaving \$25.3 million as undrawn and available.

2. Optimize the Value of Innovacorp's Incubation Facilities

In 2014-2015, Innovacorp continued to optimize the incubation client experience at the Innovacorp Enterprise Centre (IEC) on the Dalhousie University campus, the Technology Innovation Centre (TIC) in Dartmouth, and the Innovacorp Demonstration Centre (IDC) on the former Bowater site in Brooklyn. The "grow out" facility at 101 Research Drive in Dartmouth, which was primarily occupied by Royal DSM (formerly Ocean Nutrition Canada) was sold to Clearwater Fine Foods in February 2015.

- In 2014-2015, Innovacorp delivered world-class incubation services and facilities to more than 25 technology companies. At fiscal year end, Innovacorp's incubation facilities, the Technology Innovation Centre (TIC) in Dartmouth and the Innovacorp Enterprise Centre (IEC) in Halifax, stood at 87.7 per cent and 95.6 per cent occupancy, respectively. The average monthly occupancy rate across both facilities for the full year was precisely on target with our plan at 85 per cent. Best practice recommends 15 per cent of incubation space be kept available to accommodate existing client expansion and new client entry. Innovacorp also maintained affiliations with incubators at NSCC in Middleton, Acadia University, and Venture Solutions in Sydney.
- Innovacorp secured \$500,000 in funding from ACOA, leveraging internal capital to fit-up 2,580 square feet of space at IEC, which focuses on promising early stage life sciences companies. Specifically, we built two new lab-office combination suites on the second floor, two new offices on the third floor, a new meeting room, and a collaboration office space, which is an open-concept area of about 850 square feet for start-up entrepreneurs that need short-term space. At the end of March 2015, of the 40,000 square feet of space at IEC, about 1,735 square feet remained as greenfield space and available for fit-up.

- Innovacorp improved its IT offering for resident clients over the year. Enhancements included upgrades to our wireless infrastructure to improve the quality, reliability, and ease-of-use of the service for clients and facility guests; upgrades to servers and related infrastructure to improve system performance; website improvements for a better end-user experience and greater site security; and an audit of our network infrastructure to identify and address security issues.
- IDC welcomed two new clients in 2014-2015. Cellufuel is developing a process to create synthetic, renewable diesel fuel from woody biomass. In September 2014, the company announced plans to begin construction of a demonstration-scale plant at IDC. Procuring wood residuals from the local area, the project will serve as Cellufuel's platform for expansion into commercial-scale projects throughout Canada. In July 2014, Unify Energy announced a renewable energy storage project for IDC in collaboration with LightSail Energy and Watts Wind Energy. The 3.6-megawatt project will use energy from wind turbines installed by Watts Wind Energy to test LightSail Energy's technology, which stores renewable energy so it can be fed into the electrical grid at the best time. The turbines will be constructed five kilometres from IDC by summer 2016.
- In July 2005, Innovacorp granted an option to Ocean Nutrition Canada (ONC) to acquire 101 Research Drive, Innovacorp's "grow-out" facility in Dartmouth, for \$6.5 million on or before February 28, 2015. Since that time, ONC was acquired by Royal DSM and in January 2015, Royal DSM assigned the option to Clearwater Fine Foods (CFF). In February 2015, CFF exercised the option and acquired 101 Research Drive from Innovacorp for \$6.5 million. As per the requirements of the Finance Act of Nova Scotia, net monetary proceeds of the sale have been returned to the General Revenue Fund (*Finance Act 2010, c. 2, s. 16*).
- Innovacorp regularly delivers Expert Office Hours through our incubation facilities – opportunities for entrepreneurs to meet one-on-one with experts in subjects such as intellectual property, law, accounting, immigration and finance. While the initiative targets Innovacorp clients, the opportunity is available to the broader start-up community, and companies outside Halifax can participate via Skype. In 2014-2015, Innovacorp delivered 28 Expert Office Hours sessions, benefitting more than 100 entrepreneurs through expert advice.
- In October 2013, Innovacorp was named one of five designated Canadian business incubators under the federal Start-Up Visa Program. The program is intended to attract foreign entrepreneurs who wish to establish new, high-growth businesses in Canada that will support innovation and job creation. Innovacorp can recommend entrepreneurs to receive a start-up visa from Citizenship and Immigration Canada (CIC) under the program's business incubation stream. To be eligible to receive a start-up visa, prospective immigrant entrepreneurs must prove their business venture is supported by a designated organization; meet Canadian language requirements; meet the education requirements; and have a sufficient settlement fund. As of March 31, 2015, Innovacorp had received more than 350 expressions of interest, which resulted in more than 100 completed applications. Following due diligence on the applicants, Innovacorp submitted five letters of support to CIC. In March 2015, CIC granted our first start-up visa to Eric Hoffman, co-founder of AGADA Biosciences. A resident client at IEC, AGADA provides preclinical drug-development services to pharmaceutical companies trying to fight neuromuscular disorders.
- Innovacorp introduced new agreements for incubation clients in 2014-2015. The revised agreements more clearly outline expectations for the client and Innovacorp when a company joins the incubation

program. The goal is to identify business milestones, address gaps and issues, and improve the tailored assistance Innovacorp provides.

3. Enhance Nova Scotia's Start-Up Community

Innovation and entrepreneurship are essential to Nova Scotia's future economic prosperity. While entrepreneurs must take the lead in building the start-up community, Innovacorp has a significant role to play in helping create a mature start-up culture and community in our province. We achieve this through targeted events, programs and initiatives while expanding our offering to underserved parts of the province.

- Through a variety of initiatives in 2014-2015, Innovacorp continued to help clients address the challenges of launching and growing a start-up. We delivered nine Business Over Breakfast sessions on topics such as developing success in sales, mentoring, crowdfunding, dealing with the media, venture financing, and investment due diligence. The sessions were attended by nearly 600 people and, on average, attendees rated the sessions 4.5 on a scale of one to five. Each event was live-streamed to the start-up community in Sydney. The live-streaming technology also allows Innovacorp to deliver Business Over Breakfast content to nodes in rural Nova Scotia. Further, all gatherings are recorded and available for viewing on the Innovacorp YouTube channel.
- Innovacorp is a founding member of and active participant in TecSocial, a monthly meeting in Sydney for those with an interest in technology and entrepreneurship. October 2014 marked the 10-year anniversary of the initiative – a moment of both celebration and reflection for Cape Breton's technology community. The meetings, which typically consist of a presentation from a start-up followed by networking, are live-streamed and posted to the TecSocialCB YouTube channel. In 2014-2015, Innovacorp held 10 TecSocial gatherings, which included presentations from organizations such as the Verschuren Centre and UIT as well as companies such as Protocase, Artisync Technologies and Atekelab.
- In 2014-2015, Innovacorp ran three cohorts of the Early Stage Commercialization Fund (ESCF), one of which was focused on medical technologies and therapeutics. The purpose of ESCF is to provide funding and go-to-market support for university and college research projects that demonstrate potential to advance a technology to a prototype or proof-of-concept stage and market readiness. Thirty-five submissions were received, with a total of \$640,000 committed to 13 projects from three institutions. As of March 31, 2015, all 13 projects remained active.
- In 2014-2015, Innovacorp launched a new initiative to help the province's high potential clean technology start-ups move closer to being investment ready. The CleanTech Pre-Investment (CPI) program offers companies up to \$50,000 in non-repayable and non-dilutive funding. Eligible companies must secure matching funds from other sources, such as its own company funds, third-party investors, lenders, granting agencies, or strategic partners. CPI funds are used to address investment-readiness gaps, covering work such as assessment of market potential; development of go-to-market strategies, business plans and strategic plans; development of intellectual property protection strategies; and proof-of-concept or prototype development. Five companies benefited from the CPI program in 2014-2015.
- Innovacorp offered several intensive workshops in 2014-2015. Focused on the earliest stages of start-up development, experts presented practical sessions on some of the most fundamentally important

topics for emerging technology entrepreneurs, including the lean start-up methodology, board governance, sales, taxation and marketing.

- The second cohort of Spark Cape Breton was launched in September 2014. Entrants must be a start-up venture based in Cape Breton or the Mulgrave area with a new knowledge-based product and/or service and zero sales revenue since inception. The competition attracted 28 submissions and eight companies were invited to pitch their ventures to judges in early December. The shortlisted companies also participated in several start-up training sessions, including workshops on how to make a pitch, the lean-canvas approach for building a business plan, as well as financial accounting specific to their business. A total of \$200,000 in cash was awarded to eight companies. Spark Cape Breton is delivered by Innovacorp with funding assistance from Economic and Rural Development and Tourism and ACOA.
- In 2014-2015, Innovacorp signed a memorandum of understanding with Volta Labs, a Halifax-based IT start-up house. The goal was to jointly develop, deliver, brand and promote programs, events and services of value to the start-up community, particularly companies in the IT sectors. By combining expertise and human, financial and infrastructure resources, Innovacorp and Volta Labs created greater value for the community they serve. Innovacorp contributed \$40,000 in cash and in-kind services toward the collaboration. As well, in 2014-2015 Innovacorp continued to make investments in Volta-based start-ups, including Proposify and Dash Hudson.
- In February 2015, Innovacorp and the Canada-Israel Industrial R&D Foundation (CIIRDF) launched a new initiative, the Nova Scotia-Israel Innovation Program (NSIIP), to connect Nova Scotia technology companies with their counterparts in Israel. The goal is for Nova Scotia companies to accelerate their growth through improved access to technology, markets, business expertise and investment. Israel is the No. 2 start-up ecosystem in the world. It is home to a large number of world-class start-ups across a wide range of sectors. Further, these companies are supported by a significant concentration of venture capital pools that are in turn backed by large and active institutional investors. Collaborating with the Israeli Office of the Chief Scientist in the Ministry of Economy through the Israeli Industry Center for R&D, Innovacorp and CIIRDF will work to find ideal business or technology partners for Nova Scotia companies. The program's first cohort is expected to engage with Israeli companies in fall 2015.
- In fall 2014, an independent expert surveyed Innovacorp's clients to assess our impact on start-ups. The survey included clients that received investment, incubation services, and competition awards. A subsequent statistically-validated analysis of the results from the 78 companies that responded – an 81 per cent response rate – indicated that those companies generated \$39.4 million in annual revenues and had about 562 employees. The aggregate market valuation reported by the companies was \$335.3 million. Forty-six per cent of the companies were pre-revenue, and 65 per cent first engaged with Innovacorp in 2012 or later. The companies directly attributed Innovacorp's support to \$3.6 million in increased annual revenues, \$53.4 million in increased market valuation, \$18.5 million in leveraged investment received, and the creation of 63 jobs. Further, the companies stated Innovacorp had the greatest positive impact on their performance when they were in the idea or start-up stage of their business life cycle, and when they received more than one type of business support.
- Through our financial support and partnerships, Innovacorp helped clients get spots at sector-specific accelerators, short-term intensive programs designed to quickly move start-ups closer to an investor-ready position. For example, Forerunner Research was accepted into an accelerator operated by

SURGE Ventures in Houston, TX, for energy technology start-ups. SabrTech attended a Montreal-based accelerator for clean technology start-ups.

- In December 2014, Innovacorp announced a partnership with Disruption Corporation in Crystal City, VA, one of the fastest growing technology hubs in the US. High-potential companies in Nova Scotia and elsewhere in Canada will be able to accelerate customer acquisition, meet new investors, discover strategic partners and access prime start-up office space on a short-term basis in the “Canada Corner” at Disruption Corporation.

2014-2015 Financial Results

Summary By Section	Budget 2014-2015 (\$ thousands)	Actual 2014-2015 (\$ thousands)	Variance 2014-2015 (\$ thousands)
Revenue – Nova Scotia funding and operating revenue	\$9,423	\$9,895	\$472
Operating Expenses – Incubation and Investment	6,267	6,673	406
Corporate Expenses – corporate services, administration, facilities management	1,995	1,584	(411)
Minus Net Non-Operating Expenses – interest expense on long-term debt, post-retirement benefits, amortization, less investment income and gain on sale of property and equipment	1,302	877	(425)
Plus – statutory capital advances re NSFF and clean technology fund investments	-	3,957	3,957
Minus – government transfers for real property sales	-	4,766	4,766
Net (Deficit) Surplus	\$(141)	\$(48)	\$93

Explanation of Variances

Revenue

Innovacorp's revenue was \$472 thousand higher than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars

Budget 2014-2015	\$9,423
Clean technology funding not required as awards were not granted	(845)
Budgeted rental revenue after the sale of 101 Research Drive	(62)
Additional Nova Scotia funding for Early Stage Commercialization Fund awards	600
Additional Nova Scotia funding for Innovacorp Demonstration Centre	360
Increase in operational revenue at Innovacorp Enterprise Centre as green space is fit-up	169
Additional funding for various events held	147
Additional Nova Scotia funding for Spark awards	100
Director fees earned in excess of budget	50
Other	(47)
Actual 2014-2015	\$9,895

Operating Expenses

Innovacorp's operating expenses were \$406 thousand higher than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars

Budget 2014-2015	\$6,267
Clean technology awards not granted	(845)
Operating expense savings after the sale of 101 Research Drive	(72)
Unbudgeted Early Stage Commercialization Fund awards	600
Unbudgeted Innovacorp Demonstration Centre costs	360
Unbudgeted events held and sponsored	147
Unbudgeted Spark awards	100
Increase in common area costs at Innovacorp Enterprise Centre as green space is fit-up	42
Other	74
Actual 2014-2015	\$6,673

Corporate Expenses

Innovacorp's corporate expenses were \$411 thousand lower than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars	
Budget 2014-2015	\$1,995
General cost savings	(176)
Salaries and benefits savings due to restructuring	(117)
Recovery of pension contributions	(32)
Other	(86)
Actual 2014-2015	\$1,584

Net Non-Operating Expenses

Innovacorp's net non-operating expenses were \$425 thousand lower than budget. Highlights of the changes are summarized in the following table:

Thousands of dollars	
Budget 2014-2015	\$1,302
Gain on sale of property and equipment	(2,401)
NSFF portfolio earnings in excess of budget	(278)
Investment impairments in excess of budget	2,229
Depreciation expense	67
Other	(42)
Actual 2014-2015	\$877

Statutory Capital Advances

Statutory capital advances are unbudgeted and are recognized as revenue at the later of the date on which the funds are received from the Province of Nova Scotia and the date on which an eligible investment is made.

Government Transfers

Under the Province of Nova Scotia's Finance Act, Innovacorp is required to remit to the Province of Nova Scotia, the net proceeds on the sale of real property. During the fiscal year, Innovacorp remitted funds related to the sale of 101 Research Drive and the sale of a lot of land, both located in Dartmouth, Nova Scotia.

Net Surplus (Deficit)

Innovacorp's surplus was \$93 thousand higher than budget.

Performance Measures

Below is an assessment of Innovacorp's progress toward the performance measures outlined in our 2014-2015 business plan. In 2011-2012, Innovacorp's business model was refined to ensure all activities are investment-led and our performance measures were modified to better reflect the new strategic focus. This section outlines some of the performance measures Innovacorp is currently tracking. We will strive to further strengthen our performance metrics and improve measurement of client progress in developing business capability, achieving scale, building exit potential, and generating return on investment.

The metrics below focus on the areas of economic impact, investment and leading indicators of client performance which provide an indication of how well Innovacorp's strategic goals are being met.

In addition, Innovacorp is required to report on the performance of the Productivity and Innovation Voucher Program, which was transferred to the organization following the dissolution of the Department of Economic and Rural Development and Tourism in April 2015. The program's 2014-2015 performance is described at the end of this section.

Key Performance Indicator Summary

Economic Impact Metric	2013-14	2014-15	2015-16 (F)
Export revenue generated by portfolio companies ²	\$25.2M	\$26.3M	\$30M
Employment generated by portfolio companies	347	376	400
Total employment payroll of portfolio companies	\$25.7M	\$27.4M	\$30M
Investment commitments	\$5.1M	\$5.4M	\$6M
Leveraged capital on NSFF investments	\$8.5M	\$12.7M	\$9M

Leading Indicator Metric	2013-14	2014-15	2015-16 (F)
Number of early stage companies engaged	163	188	170
Number of submissions to I-3 competition	228	0	200
Number of NSFF investments (excl. competitions)	11	12	12
Incubation occupancy levels	93%	85%	85%

Performance Measure: Export revenue generated by portfolio companies

What does this measure tell us?

This measure tracks the annual export revenue generated by Innovacorp's portfolio companies, defined as those companies in which Innovacorp has invested. Increasing export revenue is a key indicator of a company's productivity and overall health and also increases the province's tax base from external revenue sources. *(Note: In 2014-2015, the metrics "portfolio company revenue" and "percentage of portfolio companies exporting" were consolidated into a single metric: "export revenue generated by portfolio companies" because the percentage metric was deemed redundant.)*

Where are we now?

² "Portfolio" refers to companies that have received venture capital investment from Innovacorp. In 2014-2015, the metrics "portfolio company revenue" and "percentage of portfolio companies exporting" were consolidated into a single metric: "export revenue generated by portfolio companies."

In 2014-2015, Innovacorp's portfolio companies generated \$26.3 million in revenues created through exports of products and services outside Atlantic Canada. This revenue is less than the \$28 million target set for 2014-2015 primarily due to the number of portfolio companies that remained pre-revenue.

Where do we want to go in the future?

We expect to make 8-16 new investments in 2015-2016 and a portion of these will be follow-on investments in existing portfolio companies. New portfolio companies are expected to be pre-revenue, while revenue growth in existing portfolio companies is expected to increase to \$30 million in 2015-2016.

Performance Measure: Employment generated by portfolio companies

What does this measure tell us?

This measure tracks the annual employment generated by Innovacorp's portfolio – a standard measure of a company's economic impact. The ability of Innovacorp's clients to create sustainable employment, and their resulting payrolls, is both a contributor to Nova Scotia's economy as well as an indication of a company's progress along the path to commercial success.

Where are we now?

In 2014-2015, Innovacorp portfolio companies employed 376 knowledge-based professionals, resulting in an aggregate payroll of \$27.4 million. These results are consistent with our 2014-2015 forecast of 380 jobs and \$28 million in payroll.

Where do we want to go in the future?

In 2015-2016, we expect that existing and new Innovacorp portfolio companies will employ about 400 people and generate \$30 million in aggregate payroll.

Performance Measure: Leveraged capital on Nova Scotia First Fund (NSFF) investments

What does this measure tell us?

Innovacorp invests in promising early stage, knowledge-based companies through the NSFF to ensure new businesses have the required capital to achieve their full potential at this stage. The leverage metric provides an overall evaluation of Innovacorp's investment strategy by assessing the magnitude by which Innovacorp's investment capital is augmented by other investors. Innovacorp tracks the cumulative amount of investment made in NSFF portfolio companies, calculating it both as a ratio and in millions of Canadian dollars.

Where are we now?

In 2014-2015, Innovacorp made 12 investment commitments totaling \$5.4 million in 12 promising Nova Scotia technology companies. A further \$540,000 was released in milestone-based tranches with two existing portfolio companies. These investments leveraged an additional \$12.7 million in investment from financial institutions, strategic and angel investors, and other early stage venture capital funds. The cumulative amount of investment leveraged since 1996 is \$155 million.

Where do we want to go in the future?

In 2015-2016, the target cumulative amount of investment leveraged for NSFF companies will reach \$164 million. Our goal for the year is to make \$6 million in additional NSFF investments and attract about \$9 million from investors outside Nova Scotia.

Performance Measure: Number of engagements with Nova Scotia companies

What does this measure tell us?

Innovacorp's portfolio clients reflect the effectiveness and success of our business model. Continually looking to attract high-potential Nova Scotia companies, we strive to strengthen our service offerings and enhance client growth.

Where are we now?

In 2014-2015, Innovacorp engaged with and provided business guidance to 188 companies, which was above our target of 170 engagements. We continue to see an increase in the number of engagements as a result of the activity of Innovacorp's regional managers in Cape Breton and the Annapolis Valley.

Where do we want to go in the future?

In 2015-2016, we forecast having 170 new engagements with Nova Scotia early stage knowledge-based companies and making 8-16 new investments. When reviewing this performance measure, it is important to note that over time, some portfolio companies will exit the Innovacorp portfolio and new companies will enter.

Performance Measure: Number of NSFF investments made (new and follow-on)

What does this measure tell us?

As described above, our client base tells us about the effectiveness of our services and business model. The number of new clients we develop formal relationships with indicates how many early stage companies we are advancing toward commercial success.

Where are we now?

In 2014-2015, Innovacorp welcomed 10 new portfolio companies, made follow-on investments in two existing portfolio companies, and funded investments made by our limited partnerships in Build Ventures and Cycle Capital. This number is consistent with the target of 10 NSFF investments set in the 2014-2015 business plan.

Where do we want to go in the future?

In 2015-2016, we expect to make 8-16 investments, which will include a number of follow-on investments in our existing portfolio companies.

Performance Measure: Incubation occupancy levels

What does this measure tell us?

Innovacorp's business incubation clients pay market rates for the services we provide and the space they lease in our specially designed incubation facilities. Our goal is to graduate strong and successful clients into commercial alternatives. Therefore, while we strive to maintain a high occupancy rate, the turnover of our clients is also a significant positive measure of our performance.

Where are we now?

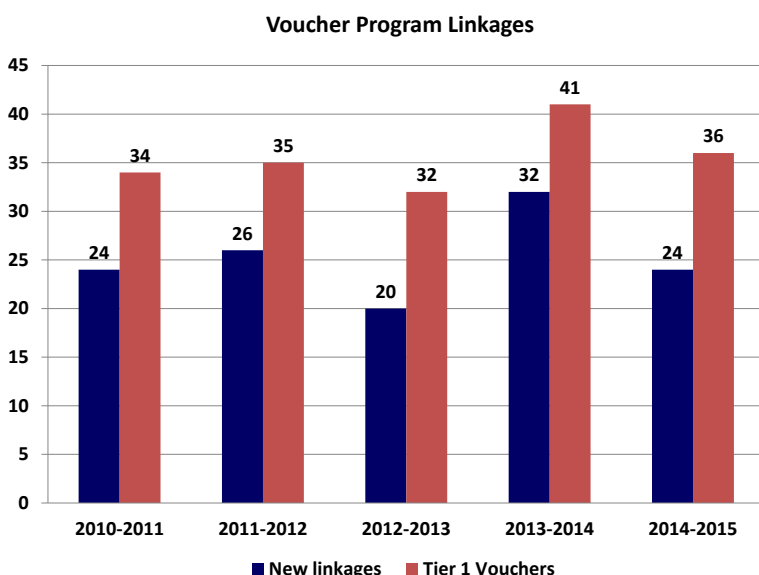
The average monthly occupancy rate across both Innovacorp incubation facilities in 2014-2015 was 85 per cent – consistent with our overall occupancy target. As of March 31, 2015, the occupancy rate at the Technology Innovation Centre was 87.8 per cent while the Innovacorp Enterprise Centre occupancy rate was 95.6 per cent.

Where do we want to go in the future?

Our goal for 2015-2016 is to have an occupancy rate of about 85 per cent, which is considered to be the best-practice rate for incubation facilities in order to have space available for new clients and existing companies that are ready to expand. Innovacorp will continue to refine its recruitment strategy for resident clients to ensure the right mix of companies is achieved.

Productivity and Innovation Voucher Program

According to Finance and Treasury Board guidelines, Innovacorp is required to report on a portion of the Department of Economic and Rural Development and Tourism's performance measure: "Harnessing research and economic innovation – significant research and innovation relating to the Productivity and Innovation Voucher Program."



An innovative and entrepreneurial culture has a strong element of problem solving through research and development. Small companies often lack the internal resources to do research, while significant research capacity exists at post-secondary institutions.

The Productivity and Innovation Voucher Program is a competition-based opportunity for small and medium-sized businesses. The program links the private sector to Nova Scotia universities and colleges.

Under the program, companies can boost their innovation and productivity with expertise and services from the province's universities and colleges. The program has two tiers. Tier 1 offers vouchers, or credit notes, of up to \$15,000 for eligible applicants that have not previously been awarded a voucher. Tier 2 offers vouchers of up to \$25,000 to build on work done through a previously awarded Tier 1 voucher. Eligible services include applied research, engineering services, prototyping, product design, market advice and field testing.

"New linkages" depicted in the chart above refers to the number of firms that did not previously have a link or research and development relationship with the institution for which they received a voucher.³ Annually, more than half of the voucher recipients did not have a previous link to the educational institution, which means that new relationships were forged, allowing each party to experience the benefit of working together. Many participants extend the working relationship past the initial project, indicating that voucher recipients are better at taking advantage of provincially available resources, skills and expertise to assist them in becoming more innovative and productive. In the long-term, as the benefits of companies and post-

³ Not included in the chart is the addition of Tier 2, which allow previous winners to re-engage with a college or university to bring the product developed in Tier 1 closer to commercialization, so the total number of vouchers awarded has increased since 2011-2012.

secondary institutions working together become better recognized, it is possible the voucher program may see fewer new linkages each year since new working relationships may have independently developed.

The number of Productivity and Innovation Vouchers awarded in any given year is conditional on both the budget and the quality of projects proposed through the application process. In 2014-2015, 52 vouchers were awarded, consisting of 36 Tier 1 vouchers and 16 Tier 2 vouchers, totaling \$925,000 in credits.