



Entrepreneur Rising

**Inside the minds of Canada's
technology company founders**

Insights for building a world-leading
growth company



A research report by KPMG and the C100 Association

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Find out what drives Canada's billion-dollar company founders such as:

John Sicard

CEO of Kinaxis

Dax Dasilva

Founder and CEO of Lightspeed

Ryan Holmes

Founder and CEO of Hootsuite

Michael Hyatt

Co-Founder and Executive Chairman of BlueCat

Jamie King

Co-Founder, CEO and President of Verafin

Tobias Lutke

Founder and CEO of Shopify

Mike McDermott

Co-Founder and CEO of FreshBooks

Razor Suleman

Founder, Achievers and Partner at Alignust

Mike Wessinger

Co-Founder and CEO of PointClickCare

Foreword

The stories are compelling. Canadian-founded growth companies such as Slack, Shopify and Hootsuite have received significant global press and valuations. A track record of successful exits such as Eloqua for \$871 million and Taleo for \$1.9 billion*, both acquired by Oracle, illustrate the ability of Canadian companies to generate significant shareholder value. And Canadian companies are now attracting over \$2 billion a year of venture capital funding according to the Canadian Venture Capital Association, including a significant increase from US sources.

At the same time, the talent pool is also growing as the reputations of computer science and engineering academic institutions such as University of Waterloo grow and global technology leaders ramp up their investments into Canadian-based R&D centers.

Against this backdrop, renewed focus has been put onto Canada's entrepreneurs – our ingenious idea generators and tenacious company builders – who grow concepts into category leading companies and compete successfully with their best-in-class global peers. Our research shines a light on the challenges entrepreneurs face and captures their collective company building advice as well as their insights into the changes occurring to the ecosystem in Canada they are, in part, driving.

To conduct this study, KPMG joined with the C100 Association, a not-for-profit, member-driven association created by Canadian entrepreneurs and technology executives living in Silicon Valley. They believe in building Canada's ecosystem by providing entrepreneurs with mentorship, partnership and investment relationships. KPMG and the C100 share similar objectives of supporting Canada's technology ecosystem as well as our growth companies and founders.

Together, we surveyed more than 50 "serial entrepreneurs" and C100 Alumni. These company builders, with entrepreneurship in their DNA, are helping catalyze exponential growth for their companies and support their peers and the broader community. We probe their insights on funding, and scaling a world-leading technology company, their views on Canada's current ecosystem and how they leverage relationships and resources in Silicon Valley. We found out about their top priorities, challenges and future plans.

To add insight and colour to this report, we also sat down with a handful of Canadian technology entrepreneurs, venture capitalists, company advisors and the C100. Their commentary offers context, keen observations and advice for today's Canadian entrepreneurs.

“Canada is now a globally competitive place to build billion-dollar technology companies.”

Tobias Lutke
Founder and CEO of Shopify

On behalf of KPMG and the C100 we would like to thank all of those entrepreneurs and ecosystem players that participated in our study and our interviews. Your insights and experience helps provide valuable lessons for Canada's emerging 'entrepreneur class'.

Brendan Maher
National Industry Leader
Technology, Media & Telecom
KPMG in Canada

Chris Chapman
National Leader, Growth Companies
Technology, Media & Telecom
KPMG in Canada

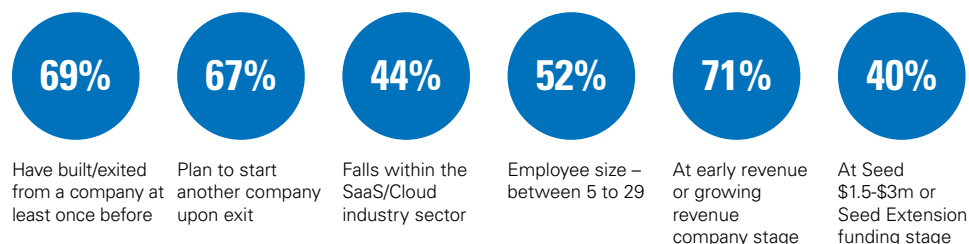
Dan Wilson
Audit Partner, Technology
Media & Telecom
KPMG in Canada

Terry Doyle
Co-Chair
C100 Association

*Source Bloomberg

Executive summary

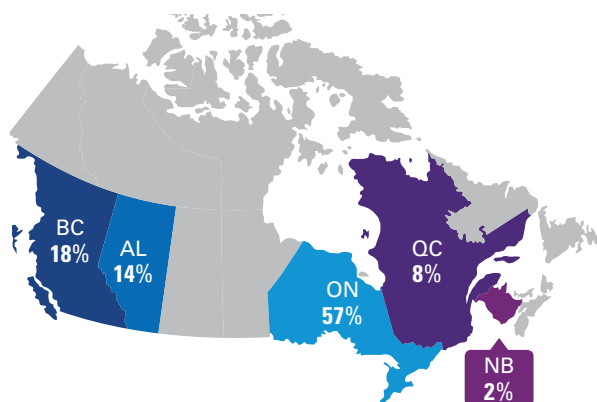
Respondant profile



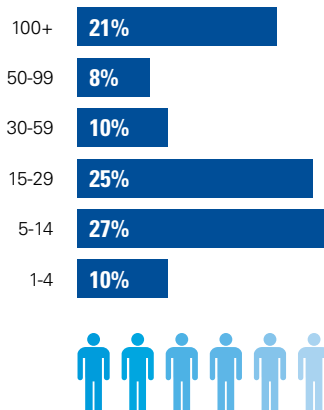
Research was conducted with a select group of 52 Canadian entrepreneurs to assess their experience and tips for building a world-leading technology company, and their perception of leveraging Silicon Valley resources and the C100 Association.

Study respondents are C100 Alumni selected to participate in past programs (48 hours in the Valley & CEO Summit) & Serial Entrepreneurs (founded/built/exited at least once).

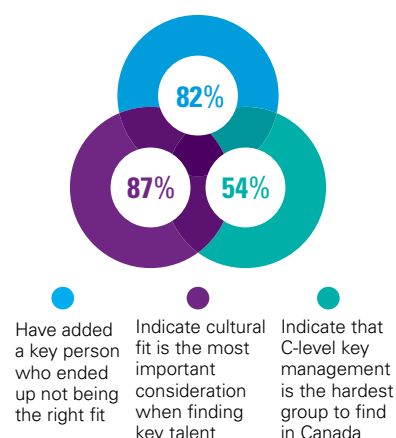
Company headquarters location



Employees



Talent management



Company stage of development



Entrepreneurship is in the DNA of respondents, and a key motivational factor in starting their company.



Top strategic priorities for companies in the next year

73% Customer acquisition/sales growth
46% Financing/fundraising
27% Growing existing product/service offerings



Almost all entrepreneurs plan to grow their company with a long-term view to be the best in the world.

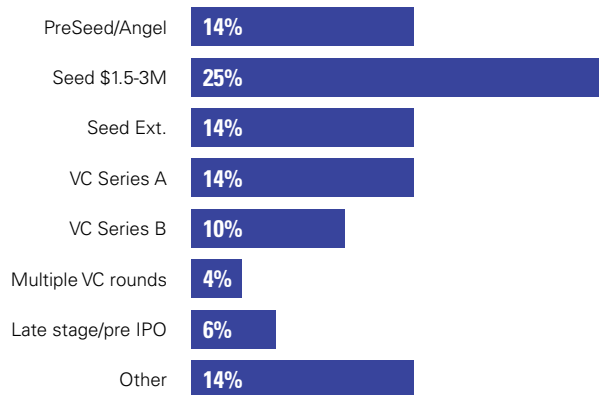


Biggest challenges for companies in the next two years

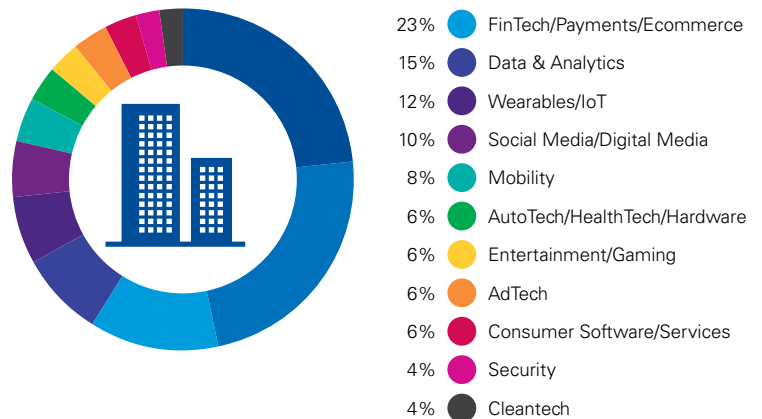
62% Increasing sales/revenues
42% Access to capital
31% Talent shortages



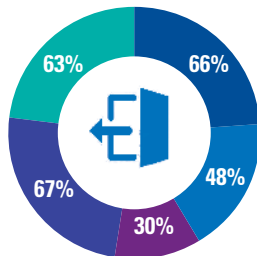
Current funding stage



Industry sector*

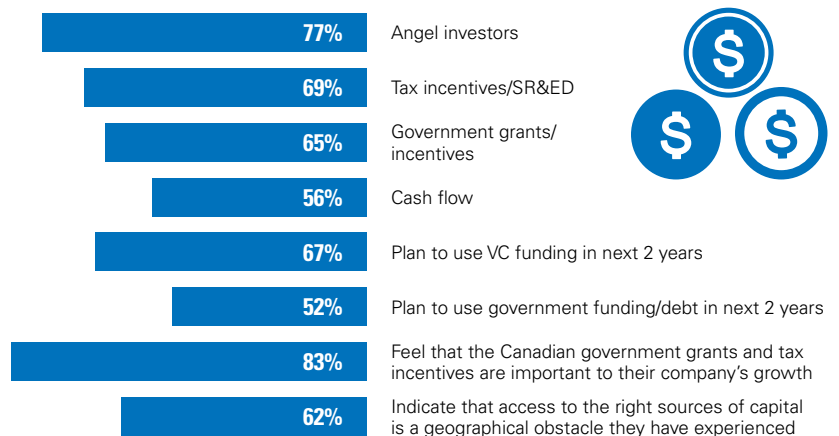


Exit strategy



- Are likely to be acquired by a larger corporate
- Will sell or merge their business
- Will prepare/execute an IPO
- Will start another company after exiting
- Will act as a mentor for other entrepreneurs after exiting

Sources of funding



Future acquisition/funding with US partner

- 73%** say to do your research and thoroughly understand the potential company/portfolio or person first
- 67%** say to take the time to make sure goals are aligned
- 58%** say to have set measurement criteria and leverage experienced advisors to help
- 62%** say to focus on building a great company and consider acquisition/partner opportunities only when they come to you
- 42%** say to focus on building a great company and perform your own acquisitions

Canadian ecosystem

- 86%** agree that the Canadian technology/innovation ecosystem has improved significantly over the past 5 years
- 77%** agree that leveraging the Canadian ecosystem is very important to the growth of their company
- 14%** feel that corporate Canada has a noticeable/adequate presence in the ecosystem
- 83%** feel that Canada should be a great launching point for global companies but often Canadian customers are looking for success abroad first

Leveraging Silicon Valley

- 85%** agree that spending time in Silicon Valley has made them think on a bigger scale and do things differently as a result
- 54%** feel that early revenue stage is a good time to start spending time in Silicon Valley
- 54%** feel that Canada is an ideal location to achieve a world leading company growth objectives, 6% feel they have to be in Silicon Valley
- 65%** feel that a mentor is the most important relationship to develop in Silicon Valley, followed by VC and future acquisition partner (both 62%)



- 57%** believe that Silicon Valley connections acquired through the C100 have played or will play an important role in their company growth
- 71%** indicate that the C100 can provide access to resources and relationships not found elsewhere
- 81%** indicate that early revenue stage/first round of VC funding is the best time to leverage the C100
- 69%** feel that the C100 is good for connections to other Canadian start-up CEOs, followed by connections to VCs (62%)

* Respondents could choose multiple responses



Canada's emerging entrepreneur class

“What we are seeing is the emergence of a new class of serial entrepreneurs.”

Terry Doyle

Co-Chair, C100 Association

While it is easy to conjure up images of university students and millennials in hoodies when you think of technology entrepreneurs, the reality is that Canada's start-up leaders are generally mature, business-oriented and experienced.

Serial entrepreneurs

More than two-thirds of our respondents say they have founded, built and sold at least one venture in the past. Almost one-fifth indicate they've done this three times or more. It is perhaps not surprising that 65 percent say that entrepreneurship is in their DNA.

“What we are seeing is the emergence of a new class of serial entrepreneurs; they know how to bring a great idea to market and they are using those skills and resources to build more companies,” notes Terry Doyle, Co-Chair of the C100. “These are people who think of themselves as entrepreneurs rather than ‘one and done’ business people.”

When they do eventually exit their firm, most plan to continue to use their skills to drive and grow the Canadian technology sector. Sixty-seven percent say they would start another company and 63 percent say they would use their time to mentor peers. Forty percent think they would use their earnings and experience to become an angel investor or venture capitalist.

Number of times founded/built/exited from a technology company



Entrepreneur's insights

Our respondents offer advice on mentors

"Find a mentor and learn the ropes from someone that has been there before. A mentor can impart wisdom in minutes that could take years to acquire yourself."

"Surround yourself with mentors and advisors that have been through it before."



"We need more people like Mike Serbinis [who is currently CEO of LEAGUE, a serial entrepreneur, angel investor and recognized philanthropist] to build a company and then use what they learn and what they earn to contribute back to the ecosystem," says Angela Strange, also a Co-Chair of the C100 and Partner at Silicon Valley based VC Andreessen Horowitz, "There are many like Mike who are wonderful examples of this serial entrepreneur class that is emerging."

Our study suggests that Canadian entrepreneurs are not just looking to "build and flip" their companies or sell too early. Indeed, contrary to the popular opinion that Canada's technology entrepreneurs may sell their companies prematurely, our study suggests they are overwhelmingly dedicated to building something of sustainable, lasting value.

Nine out of ten respondents to our study say they plan to grow their company with a long-term view to be the best in the world for their category. And only around one-in-five say that selling they would currently consider exiting their company early if the right liquidity opportunity came about.

Canada's emerging growth companies

What types of companies are Canada's entrepreneurs building? Forty-four percent characterize their venture as enterprise software and an equal number say they are focused on SaaS (Software as a Service) or Cloud solutions. Many are focused on key growth sectors such as FinTech, Payments or Ecommerce (23 percent), Data and Analytics (15 percent) and Wearables/IoT (12 percent).

"Canada has created a growing class of high growth SaaS companies who are emerging market leaders," notes Christopher Chapman, KPMG's Growth Companies Leader for the Technology, Media and Telecommunications industry practice. "Pick your city across Canada and you will find an entrepreneur killing it."

Seventy-one percent of respondents to our study say their company is at the "early revenue" or "growing revenue" stage of growth and 40 percent say they are currently funded at the seed investment stage. Our study suggests that, while concentrated in certain markets such as Ontario with 57% of respondents, Canada's

entrepreneurs are found nationwide and most (52 percent) have built their companies up to between 5 and 29 employees.

The motivation to build

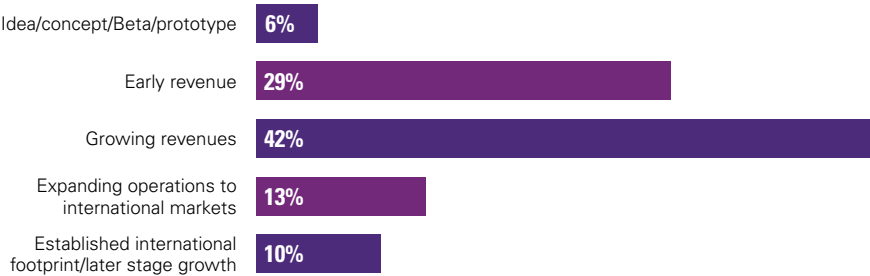
So what motivates Canadian entrepreneurs besides having entrepreneurship in their DNA? In part, they are driven by specific opportunities. Almost half (48 percent) say they saw a need that was not being satisfied in the market while 44 percent say they wanted to solve a specific problem. Only 38 percent of respondents say they were driven to start their company by financial opportunity.

"I've had the opportunity to work with some very successful entrepreneurs and business leaders and what I've found is that they all have tremendous attention to detail," notes Vince Mifsud, CEO of ScribbleLive, a global content marketing technology provider. "I think sometimes people think that when they delegate a job they don't need to think about it anymore – they don't need to know the details of how things are operating – but the really successful Canadian entrepreneurs are the ones that are on top of their business in every way."

Plans following company exit*



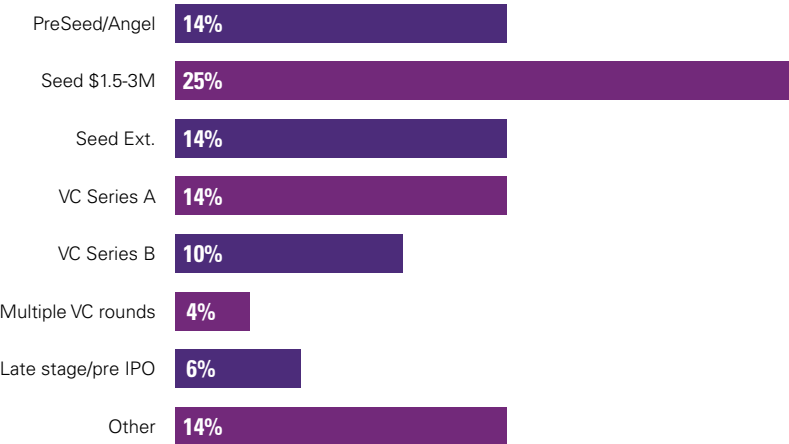
Company stage of development



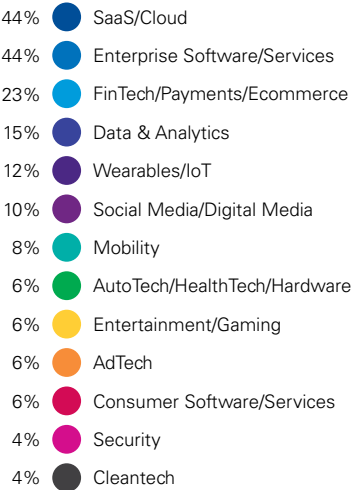
Driving motivation to start company*



Current funding stage of company



Industry sector*



* Respondents chose multiple answers

Big priorities, common challenges

Canada's technology company founders are worried about two main things: sales growth and access to capital. Other issues related to talent, products and channels to market are also high on the agenda.

The importance of self-generated funding

Most of our entrepreneurs clearly understand that capital from sales growth comes at a lower cost than capital from investors. According to our study, almost three-quarters (73 percent) of entrepreneurs see customer acquisition and sales growth as their top strategic priority and less than half (46 percent) say they are primarily focused on financing and fundraising.

Many of our study respondents and interviewees expressed a preference for driving revenues and sales growth to fund growth over outside funding and dilution of their equity.

People and products move up the agenda

Priorities that fall somewhat further down the list may likely also create unique challenges for Canada's entrepreneurs. As discussed in the next pages, issues related to talent management and talent shortages are cited as both priorities and challenges for more than a quarter of entrepreneurs, while just over a quarter also indicate their greatest challenge and priority is in growing their existing product/service offerings.

"We find Canadian technology companies to be very capital efficient which is attractive to growth equity investors like Georgian Partners, OMERS and JMI," suggests Geoff Taber, a Partner at Osler, Hoskin & Harcourt LLP in Toronto.



Entrepreneur's insights

Our respondents offer comments on priorities for success

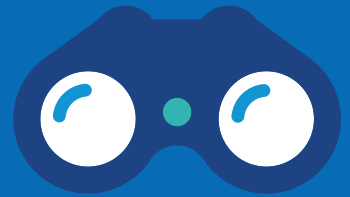
"Apply domain driven design to your product and business, involve everyone."

"Focus on building an awesome product (value) before you fundraise or market."

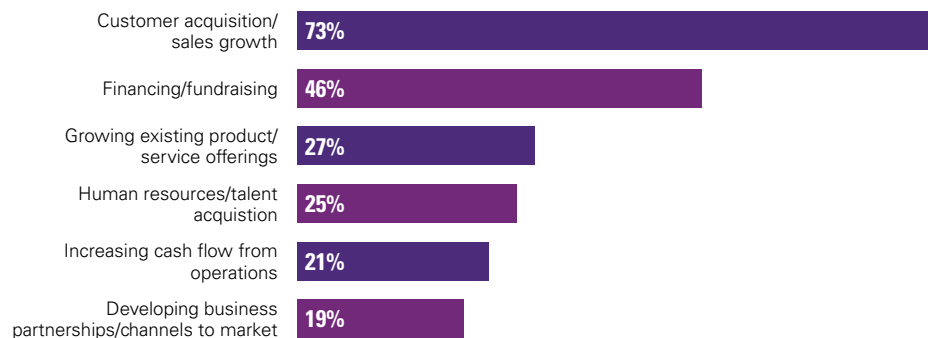
"Make sure you have a strong product vision, product roadmap, path to revenue

and brand before you pursue funding required to reach your goals."

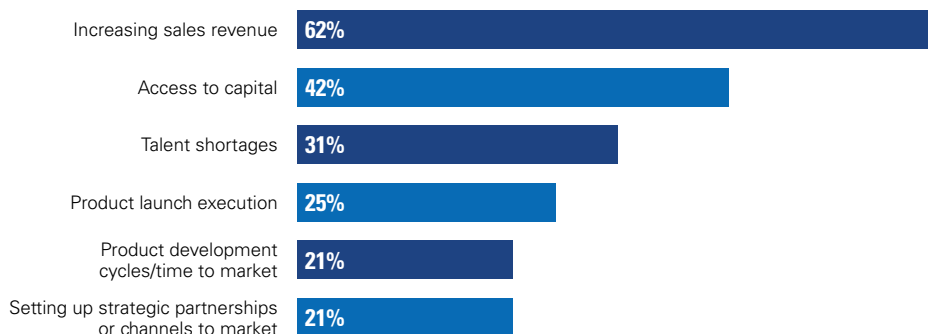
"Learn who you are and what drives you (strengths and weaknesses) as these can determine your ultimate success in building the company."



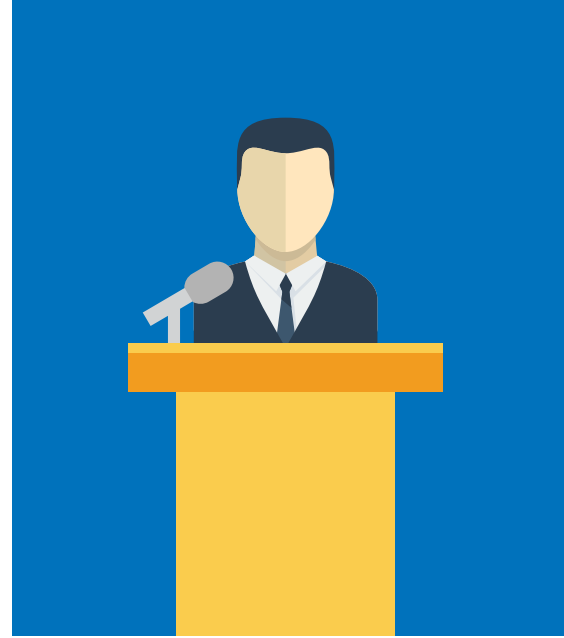
Top strategic priorities over the next year



Biggest challenges over the next 12 to 24 months



Cultivating the right talent



Throughout our study and in our conversations, issues related to talent continue to be “top of mind” for growing technology companies. But it’s generally not a lack of programmers and developers, rather a lack of key experienced leadership team members in Canada.

Talent is clearly a top agenda item for Canada’s entrepreneurs. A quarter cite talent acquisition as a top priority over the next year and 31 percent say that talent shortages will create significant challenges for their organization over the next 12 to 24 months.

A C-Suite challenge

Our study suggests that talent concerns are now focused on the right leadership talent. Indeed, 54 percent of our respondents say they struggle to find key management team members in Canada while just 21 percent say they face challenges attracting skilled developers and programmers. Around a third of respondents say they are challenged to find experienced sales and marketing staff to help them grow their business.

“Talent is really an ongoing challenge, not only for start-ups but also for mid-sized and large companies,” notes Razor Suleman,

Founder of Achievers and Partner at Alignust. “The priority has to be on recruiting, retaining and inspiring great people because you can always scale up a finance system or procurement model but it’s much harder to scale up culture, to keep your ‘A’ players and motivate them and align them to the vision of the company.”

“To a large extent, investors want to see a really strong management team – that’s really what they are investing in – and I’m not sure entrepreneurs really think about how the makeup of their management team influences their valuations,” adds David Wilson, an Ottawa-based technology company Board member. “You can try to coax a US-based executive to come up to Canada but my experience suggests it’s only those within an hour’s flight time that are willing to do that and they often prefer to commute from Tuesday to Thursday instead of setting down roots in Canada.”

Entrepreneur's insights

Our respondents offer advice on talent management

"You need a team that is as dedicated as you are, as driven to success. If your team are just "good guys" then they'll be holding you back."

"Build the best team possible despite/considering your very limited resources."

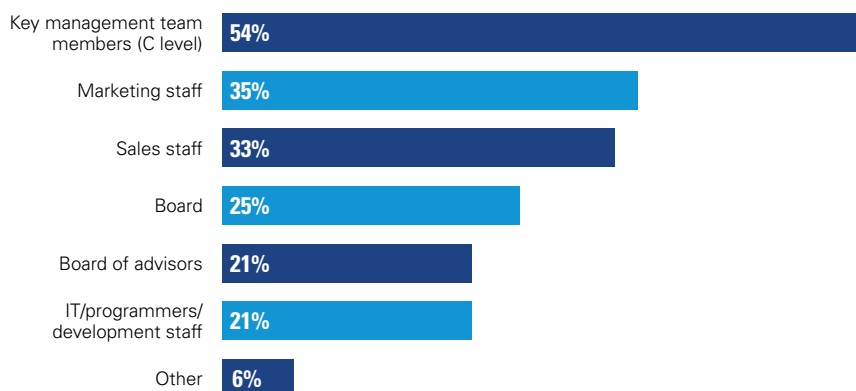
"There is no one piece of advice that will lead to success. It requires a multipronged strategy and toolkit, and you will need to hire people better than you to get there."

"Hire great people: it's the most important decision you will make."

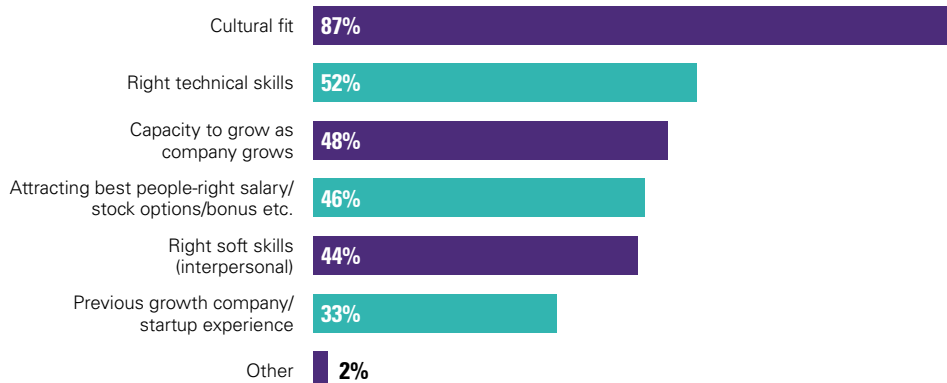
"Get the right people on the team, those who share your passion and company culture, even if they do not check all the job requirement boxes."

"It isn't about the idea nor opportunity. It is about execution and people."

Most difficult talent to recruit in Canada



Important considerations regarding company hiring practices



Finding the right fit

Adding to the management team is not just about finding someone with the right skills and experience – it often comes down to culture. In fact, 82 percent of our respondents say that they had added a key person to their management team who ended up not being the right fit in the past.

Not surprisingly, therefore, the vast majority – 87 percent – say that cultural fit is the most important consideration when hiring new talent. In comparison, just 52 percent say that having the right technical skills is a key consideration and almost half say they need people with the capacity to grow in their jobs as the company grows.

"It certainly can be challenging to attract the talent from the US to come up to Canada, but we've found that top performing talent wants to work with top performing companies, no matter what side of the border they are on," said Mike Wessinger, Co-Founder and CEO of PointClickCare.



Views on funding

“If you are going to attract the best investors, you need to be very, very clear on the metrics that matter and be executing against those expectations.”

Ryan Holmes
Founder and CEO of Hootsuite

Our study shows that more than half (53 percent) of entrepreneurs oversee companies that are currently at the Pre-seed/Angel or Seed/Seed Extension funding stage. And, as such, many are likely looking towards for their first round of Venture Capital (VC) funding which, in many cases, will include a consortium of investors from both Canada and the US.

Almost a quarter (24%) indicate they are currently at VC Series A or B funding rounds, it is not surprising that two-thirds (67 percent) say they expect venture capital to provide a significant source of funding over the next two years; 27 percent say they expect Private Equity (PE) funds to be a major capital source over the same period. Yet 62 percent of respondents to our

study say that – as a Canadian-based company – they experience challenges accessing the right sources of capital. Half of all respondents say that problems accessing enough capital to meet their company’s growth needs is an obstacle for Canadian-based companies.

Leveraging smart money

As Brendan Maher, KPMG’s Industry Lead for Technology, Media and Telecommunications points out, fundraising is about more than just finding the investor with the deepest pockets.

“The really successful funding relationships are the ones where investors bring not only money, but also connections, experience,

Geographic obstacles experienced as a Canadian based company



Entrepreneur's insights

Our respondents offer advice on fundraising

"Operate very lean as fund raising and revenue will take longer than you think."

"Don't underestimate time to raise funds and leverage connections to help shorten the time."

"It's a grind. It will take longer and be harder than you think."

"Cash is king! Find cash whenever you can."

"Don't take money if you really don't need to!"

"Focus on creating a business with real products, customers and revenues. Although financing might be a critical step, there is no better solution to scaling your business than generating real revenues to fund the business. Don't get too distracted with fund raising or see it as a goal."

relationships and ideas that add real value to the organization's growth," he notes. "In much the same way, entrepreneurs tell us that they are less concerned about the name of the specific Venture Fund or where it is located and more about the specific partner they will be working with inside that fund."

However, our interviews with leading Canadian entrepreneurs, investors and advisors suggests that – with proper preparation, close attention to the key metrics and a keen understanding of funding

partners' expectations – there is significant capital waiting to be unlocked in Canada.

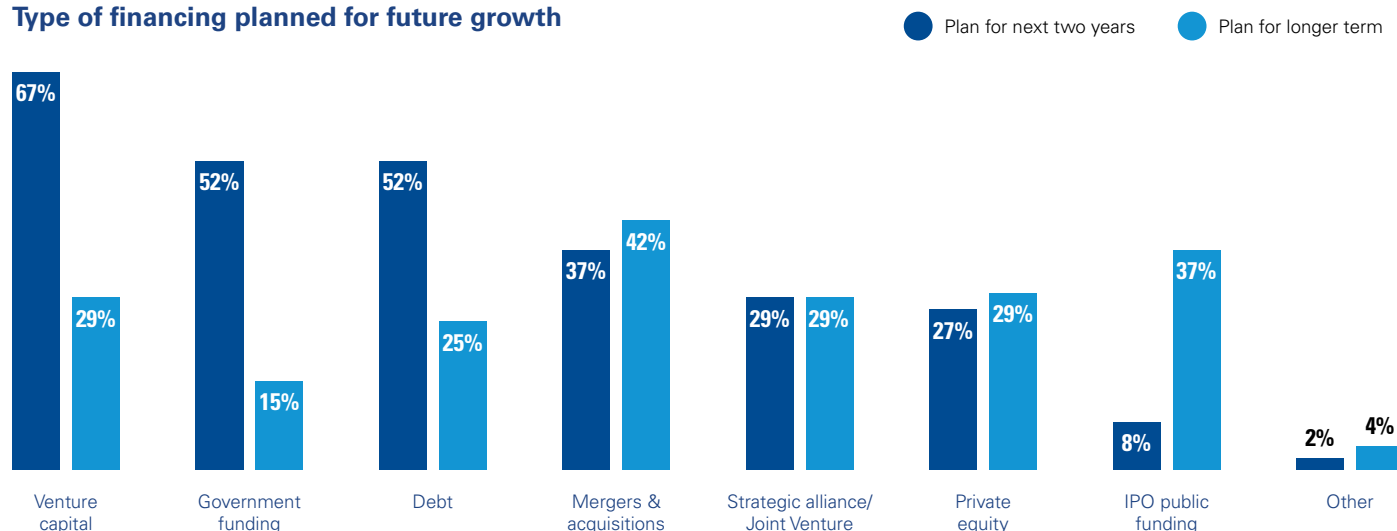
"I think one of the biggest challenges is with Canada's growth stage capital; it's limited and there are only a handful of Canadian funds deploying growth capital," notes KPMG's Chris Chapman.

"But the reality is that – if you have the right metrics and you're at the right stage – there is plenty of growth capital available and lots of competition for that capital. The problem for Canadian start-ups is

knowing what those metrics are and trying to ensure they are continuously aligning their business plan and objectives against those metrics."

According to Razor Suleman, challenges finding funding may actually be a signal of a poor idea rather than a bad funding environment. "If you can't raise capital in today's environment then maybe that's a signal that you need to make some changes."

Type of financing planned for future growth



The "pivot": Making changes to attract customers or investment

More than half of our growth company founders say they've had to pivot their business model or customer focus in order to better align to customer, investor or market demand. For the majority of those who needed to pivot, the realization came fairly early. Almost a third say they had to pivot at some point during prototype development; forty-three percent say they changed their business plan or model during the early revenues stage.

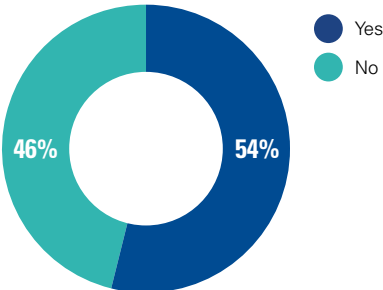
"You know you have a great idea but it's only when you socialize that idea with investors of sophisticated advisors that you really start to realize that you need to adjust your business plan or operating model if you want to win market share and attract investors," adds Dax Dasilva, Founder and CEO of Lightspeed.

According to Chris Arsenault, Managing Partner of Montreal-based VC firm iNovia Capital, there are generally two things that drive entrepreneurs to pivot. "Sometimes cash is running down and you realize that you need to do something very different with your remaining resources if you hope to survive and so you pivot. Other times you may be doing well but market realities have shifted and that, in turn, requires you to pivot your strategy," he notes. "If you're developing an enterprise solution and you are not yet positioned as a SaaS company, you probably want to pivot or else you won't be optimizing the value for shareholders – which include yourself."

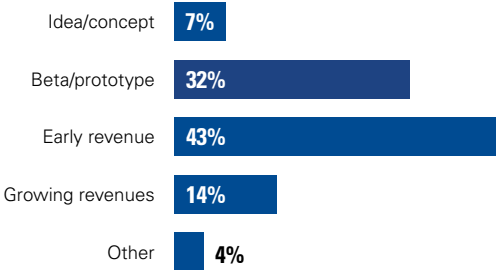


Pivots and stage

Have you had to pivot your company?



At what company growth stage did you pivot?



Focus on sales growth

The best way to finance a growth agenda is through sales revenues. No wonder so many Canadian entrepreneurs are focused on growing their sales and ramping up customer acquisition.

Clearly, sales growth is king for Canadian entrepreneurs. Almost three-quarters (73 percent) cite customer acquisition and sales growth as their top strategic priority over the next year. Finding and securing the right partnerships and channels to market in order to drive sales growth is also a top priority for more than one-fifth of the entrepreneurs in this study.

At the same time, the majority (62 percent) of our respondents note that increasing sales revenues would be a specific challenge facing their company over the next 2 years.

"At Kinaxis, we think of growth as our #1 priority," says John Sicard, Chief Executive Officer of Kinaxis. "But we are driving high growth without compromising on our pedigree of profit. With our

revolutionary approach to solving supply chain problems for our global customers, we believe we are well positioned to continue along our performance track. In fact, in many ways, we've only just begun our journey."

Building the foundation for sales growth

As noted earlier, around a third of our study respondents say they are also facing significant challenges finding the right sales and marketing people, with the right experience, available in the Canadian marketplace.

"We self-funded the business through revenues and angel investors for 10 years before taking any outside capital from VCs," says Mike McDerment, Co-Founder and CEO of FreshBooks.



Entrepreneur's insights

Our respondents provide comments on customer acquisition strategies

"Focus on the "customer development" model. Go through iterations in "customer discovery" stage and validate your market hypothesis, this is absolutely paramount before attempting to scale your company"

"Your customers have the answers."

"Its important to put the early focus on selling to thousands of customers; this will create the greatest number of future options for your company as you continue to scale."

"Diversify your customer base."

"Important advice for entrepreneurs of startups is to understand the true size of your market"

"Focus on customer/product alignment."

"Experiment early and understand the cost of customer acquisition, also understand the lifetime value of customers."



Not looking for a fast exit

While most of our technology company founders say they are "in it for the long haul," they have some view of how they – eventually – plan to exit their current venture. Most expect to ultimately sell their company to a larger corporation.

For the most part, our entrepreneurs say they are not looking for a quick exit. In fact, nine-in-ten respondents to our study suggest that they plan to grow their company with a long-term view to be best in the world. Only one-in-five indicated they had a short-term view of exiting as soon as they found the right liquidity opportunity.

Considering the longer-term opportunities

The vast majority (two-thirds) expect that, in the long term, it is likely or very likely they will either be acquired by a larger company or that they will sell

or merge the business with another (48 percent see this as a likely or very likely option). Not surprisingly, just 4 percent thought they might have to close the business and sell the assets.

Tapping public markets

Rather than exit the business entirely, thirty percent of respondents in our survey say that it is likely or very likely that they will conduct an IPO on public markets as a way to access new financing options.

"We looked at all of our funding options and decided that a public offering was the best avenue for Shopify at this stage in our



growth,” notes Harley Finkelstein, Shopify’s Chief Platform Officer. “The company was ready, the product was ready, and our team was ready, which was a huge part of our criteria.”

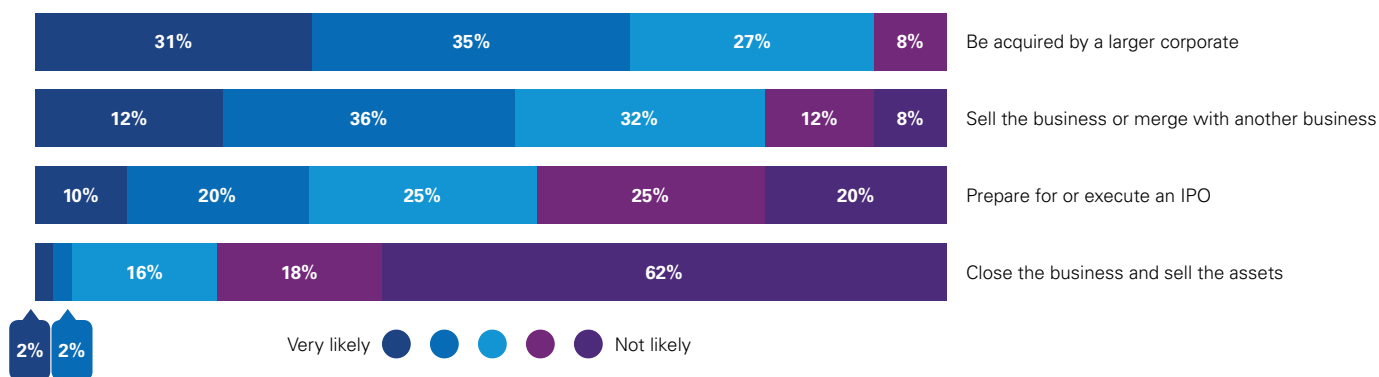
First, build the company

Our study suggests that, for the most part, Canadian entrepreneurs spend little time worrying about their exit strategy. Almost two-thirds of our respondents say they believe the best way to position their company for future acquisition by a larger firm is to simply focus on building a great company. And forty-two percent are so committed to a long term view,

they see their company as being the acquirer of other companies and not the acquired, driving their valuation and future options.

“I often find that – when founders are searching for an exit plan – it’s because they have too much of their own money wrapped up in the venture; the personal risk is just too high to allow them to make any more big moves,” says David Wilson. “I always tell entrepreneurs that, when they hit a point where the risk is slowing the growth, they should consider doing a small funding round to essentially take their money off the table and free them up to focus on driving the business.”

Likelihood of events in the next four years



Canada's technology ecosystem improves

Most of our entrepreneurs know that their success can be impacted by the strength of the technology and innovation ecosystem. The vast majority strongly believe that Canada's ecosystem has improved.

Canada's technology ecosystem is maturing, perhaps catalyzed by successful exits; a supportive community of technology accelerators, university incubators and government initiatives; a growing talent and skilled advisor base; and a new tranche of supportive serial entrepreneurs pouring their efforts back into new companies and mentoring peers. And leading US technology giants have set up significant sales and development offices in Canada, injecting additional energy and cutting edge professional knowledge into the startup ecosystem.

Great companies are not built in isolation

Canada's technology entrepreneurs know that building a world-class

company requires the support of an equally world-class ecosystem; seventy-seven percent of our respondents say that the ecosystem is very important to their future growth strategy. At the same time, entrepreneurs seem confident that Canada's innovation ecosystem has matured recently with almost nine-in-ten (86 percent) saying they have seen "significant" improvements over the past five years.

"We're seeing a lot more collaboration – more sharing of ideas, more mentoring by successful founders and board members, more active venture and angel investors – and that's really driving an overall improvement in the ecosystem," notes Brendan Maher.

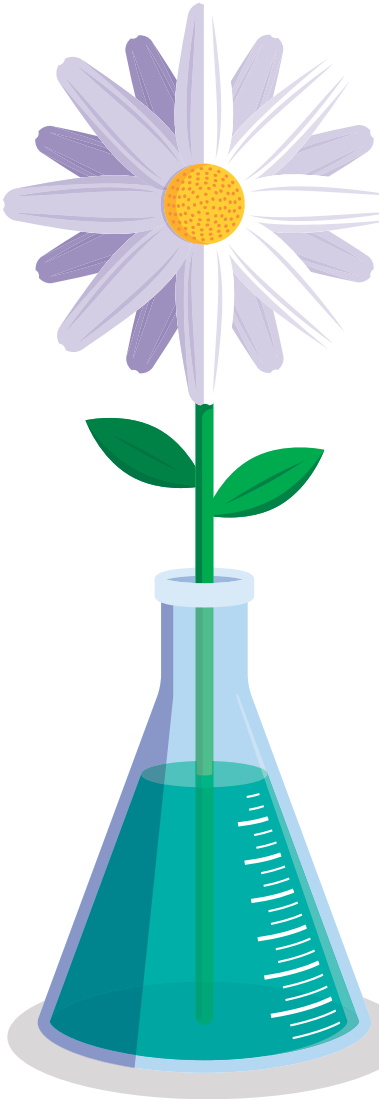
Angela Strange likens the activity in Canada's ecosystem to energy in a flywheel. "There are more experienced entrepreneurs in Canada today and that's driving more foreign investors to take another look at Canada's technology ecosystem which, in turn, breeds more companies so you really get that flywheel effect going," she notes. "Canada's had some really good successes and I think the ecosystem is now very different and much more sophisticated for that reason."

Looking for more from Corporate Canada; entrepreneurs are not feeling the love at home

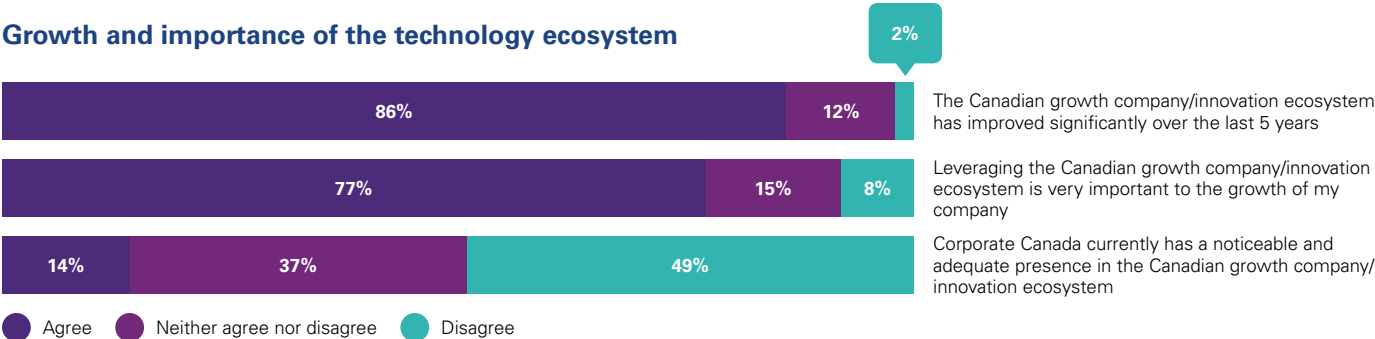
A significant challenge – and an issue often debated in the public arena – is the role that Corporate

Canada should play in supporting the national technology ecosystem. Clearly, the entrepreneurs responding to our study believe they can do more; only 14 percent agreed that Corporate Canada has a noticeable and adequate presence in the Canadian technology ecosystem.

It's not just Canada's large organizations that viewed by entrepreneurs to be participating below desired levels. Eight-in-ten respondents also say they believe that their local communities – businesses and consumers, could be more excited about Canada's technology story and should be showing more support by using their companies' products.



Growth and importance of the technology ecosystem





Others believe while there is work to be done, the needle appears to be moving. "Corporate Canada knows it needs to innovate and are increasingly starting to look for ways to help improve their organizational efficiency, growth and reach," notes Terry Doyle. "Don't lose faith in getting customers from Corporate Canada; they are starting to listen and we therefore need to redouble our efforts to get our great ideas and start ups in front of them."

Benefiting from government support and incentives

For many of the technology entrepreneurs in our study, Canada's R&D tax incentives, funding programs and grants have helped their companies and contributed to Canada's technology and innovation ecosystem.

Eighty-three percent credit Canadian government grants, tax incentives and SR&ED program as being

important to their company's growth. Almost seven-in-ten respondents also say they've used tax incentives or SR&ED credits as a source of funding to finance their company's growth. And slightly less than two-thirds say they have used other government grants and incentives as part of their funding mix.

Importance of grants/tax incentives to company growth

Canadian government grants/tax incentives and SR&ED are important to my company's growth





Canada: A great place to build a world-leading technology company

We often hear of a brain drain of talent and companies to the US with fears that Canadian entrepreneurs are selling out Canadian jobs and value. But according to our study, entrepreneurs firmly believe that world-leading companies can be built and thrive right here in Canada.

An ideal location

With a steadily improving ecosystem, a growing pool of serial entrepreneurs, strong tax incentives, more funding heading north of the border and a favourable cost base for talent and real estate, most Canadian technology entrepreneurs now believe that Canada is an ideal location to build a world-leading company.

In fact, 54 percent of our respondents say that they believe Canada to be an ideal location to

achieve a world-leading technology company's growth objectives. And three quarters emphatically disagreed that you need to be based in Silicon Valley.

"Entrepreneurs are increasingly saying that they want to stay and build their company in Canada. Why? First, because they are from there – it's where their powerbase is – but also because of Canada's strong cost advantages, tax credits and, increasingly, the favourable dollar," notes Terry Doyle.



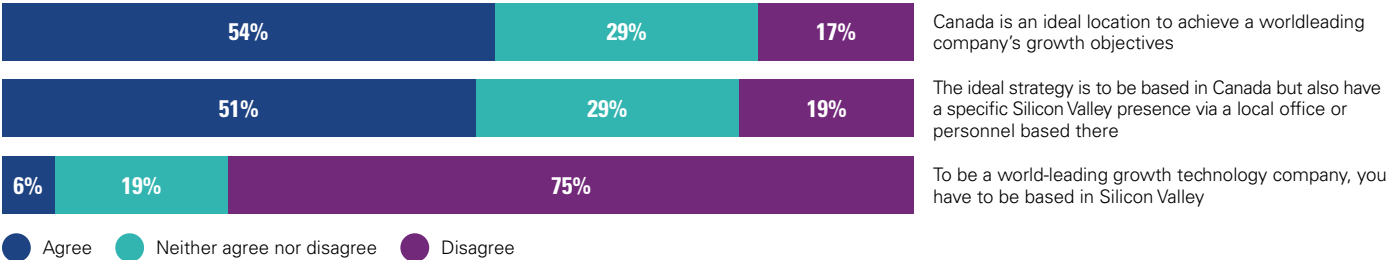
"I built two successful software companies and there is no reason why you can't build a successful company here in Canada. My hope is that we can continue to build a business environment that promotes innovation, especially start ups" adds Michael Hyatt, Co-Founder and Executive Chairman of BlueCat.

Leveraging a US footprint

While companies may not need to be based in Silicon Valley, 51 percent of our respondents did say that the

ideal strategy is to be based in Canada while also having a specific Silicon Valley presence, either through a local office or locally-based personnel. This is echoed by the original co-founders of the C100 Association. Chris Albinson, Co-Founder of the C100 and of Silicon Valley based Founders Circle Capital says "For Canadian entrepreneurs who want to grow a world-leading company, it is important to be connected to Silicon Valley and each entrepreneur or new venture needs to think about what that means for their organization."

Canada or Silicon Valley as the best place to base your company



The role of Silicon Valley

While technology entrepreneurs can build world-leading companies in Canada, the vast majority of our respondents believe that Silicon Valley still plays a key role.

Regardless of Canada's growth, Silicon Valley will (for the foreseeable future) remain a center of gravity for technology start-ups and entrepreneurs worldwide. According to our Canadian entrepreneurs, spending time in Silicon Valley is critical to success.

Changing the way Canadian founders think about their companies

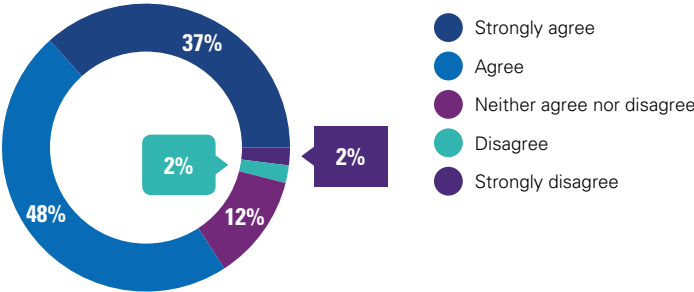
What are entrepreneurs looking for in Silicon Valley? For the most part relationships, funding, advice and important inspiration. In fact, 85 percent of our respondents say that spending time in Silicon Valley has helped them change the way they think about their company; "I think bigger scale and do things differently as a result," they report.

Friends in smart places

According to our study, there are a wide range of relationships that Canadian founders look for when they visit the US. Almost two-thirds (65 percent) say that the mentor relationships they made in Silicon Valley were important to their company's growth.

"Canadian entrepreneurs are increasingly recognizing that they need to surround themselves with seasoned mentors and advisors, pragmatic people that can really push them to do better and challenge their thinking. Whether these people are in Toronto, Vancouver or Silicon Valley, the value of a strong mentor group is undeniable," notes KPMG's Dan Wilson. "We spend a lot of time helping connect different Canadian companies – either directly through their C-suite or through seminars and sharing events – so that they can learn from each other and, hopefully, share resources and ideas."

Spending time in Silicon Valley has changed the way I think about my company



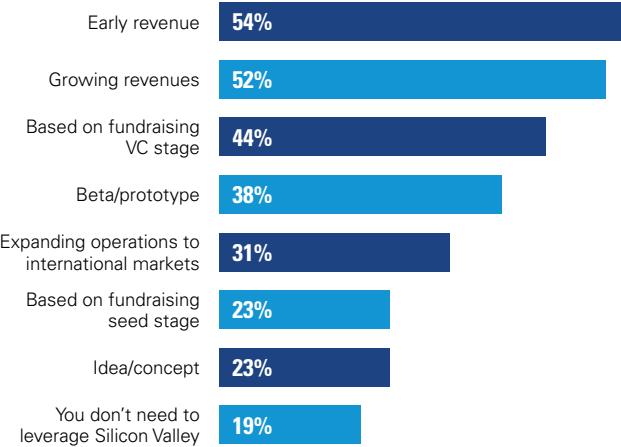
Many also say that they have made important relationships in Silicon Valley to support their funding, future growth and exit strategies. Sixty-two percent of respondents say they made important VC relationships and an equal number say they built relationships with potential future corporate acquisition partners.

“Entrepreneurs are always asking if they need to move to the Valley in order to build their business”

says Anthony Lee, C100 co-founder and Managing Director at Altos Ventures.

“Our response is that while we strongly encourage founders to visit regularly and build a network here, the whole reason we started the C100 was so that founders could more easily access Valley resources without having to move down here and set up shop. A win for the C100 and for Canada is seeing founders start, scale and build their company in and from Canada.”

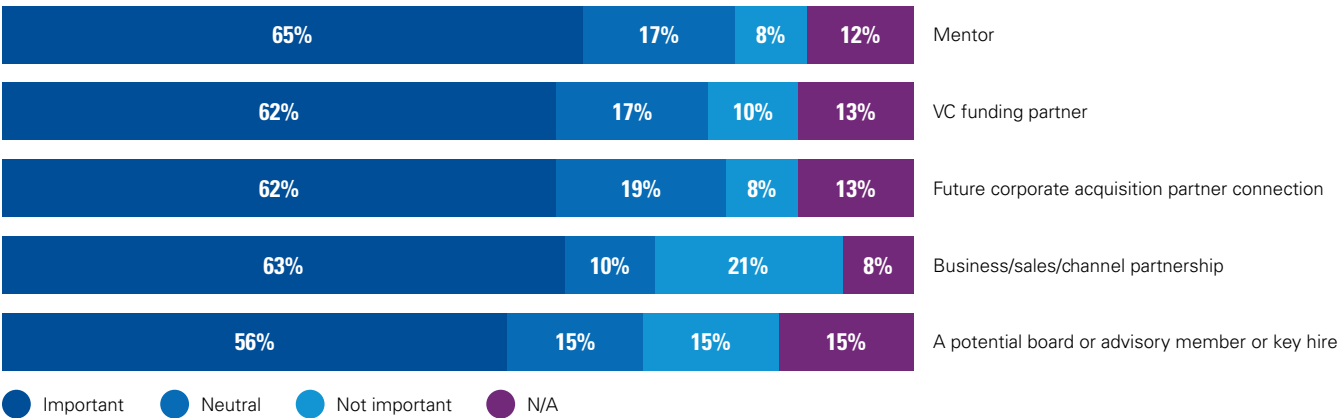
Growth stage to start spending time in Silicon Valley



Others suggest that spending time in Silicon Valley has helped them drive customer growth. Sixty-three percent say they made important business, sales or channel partnerships while visiting Silicon Valley and 46 percent say they built key customer relationships.

However, building relationships in Silicon Valley will require entrepreneurs to take a hard look at what they have to offer and spend some time articulating their value.

Important relationships developed in Silicon Valley





Entrepreneur insights

Our respondents provide comments the value of spending time in Silicon Valley



Learning

"You don't know what you don't know. It is important for Canadian founders & CEOs to get out of the office and see how the rest of the entrepreneurial world operates. The pace and perspective is just different."

"Silicon Valley is a factory and research institute for building billion dollar, category defining companies. For the truly ambitious, regular visits are a must."

"The focus is on speed and hard work. Victoria, BC is a very innovative place, but not quite the same work ethic and need for speed."

"They have seen so many start ups that attack the market in different ways."

"High-growth technology is the expectation and the community supports it with money and people and processes. Great models, successes, and missteps are visible and provide valuable inspirations and cautionary tales. Sometimes the myth of Silicon Valley is enough to add fuel to the fire."

"Canada is a nice place to start, but irrelevant in the bigger picture. The addressable market needs to be large, and we as founders need to continue to focus on that."

Thinking "Bigger"

"The Valley way of thinking is global and universal in its way of approach. We now always think international, mobile and global in our thinking."

"The goal must be to win and be number one within your market. That was amply clear from the Silicon Valley mentality."

"In Canada, we tend to focus on either Canadian market or the North American market. Getting outside our bubble allows us to think broader."

"Simple; the thinking is bigger and bolder in the Valley."

"SV and NY don't think local. They think about the world without any limitations."

"The Valley culture promotes big thinking and is high energy."

"The US teaches you to be more aggressive and think BIG!"

"We began to think about the Global market."

"Canadians think too small. More time with a community that thinks big is a great influence. Try being a small fish in a big pond."

"Think big, focus on big industries, move fast."

Inspiration

"There is a lot happening in the Valley everyday. You are constantly challenged by competitors and have to prove your value proposition over and over to yourself!"

"To spend time with entrepreneurs in Silicon Valley who are playing on the bigger stage creates natural internal performance anxiety and higher expectations which tends to motivate you to want to drive your business harder."

"I love the pace in the Valley, always picks me up. I also love the creativity and drive. The "growth hacker" concept is way more developed in the Valley than anywhere else I've seen, I'm really missing that in Canada."

Leveraging the C100

Since its founding in 2011, the C100 has been instrumental in building bridges between Canadian technology entrepreneurs and the highly valuable Silicon Valley network. According to our entrepreneurs, the organization has already made a massive impact.

Anyone who has been invited to attend a C100 program in Silicon Valley already knows the value that the non-profit organization brings. In fact, 57 percent of our respondents credit the association with playing an important role in their company's growth.

Unique access to the relationships and ideas

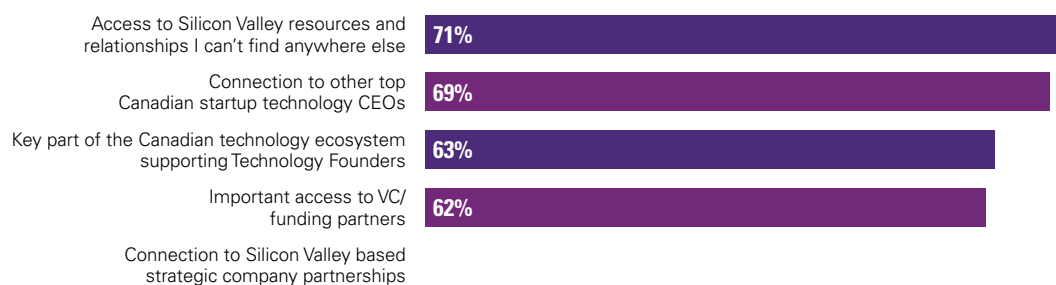
As the only association of its kind for Canadian entrepreneurs, it is perhaps not surprising that 71 percent of respondents say that their participation in a C100 program has provided them with access to Silicon Valley resources and relationships that they can't find anywhere else. Many also say that the C100 offers them important access to VC and funding partners (62 percent) or that it helps

them create valuable connections to Silicon Valley-based strategic company partnerships.

Over the past 2 years in particular, we've really been trying to improve the value that the C100 delivers – from creating more programs and events for early stage founders, to informing our members about the sea change that is occurring in the startup ecosystem in Canada, to understanding better how the C100 can support all stages of innovation in Canada, "notes Terry Doyle.

Interestingly, one of the top benefits of C100 participation for Canada's entrepreneurs is not the connections they make with US-based contacts as much as the ones they make with fellow Canadian technology CEOs and founders.

Role of the C100 in the Canadian startup/technology ecosystem



Time to get active

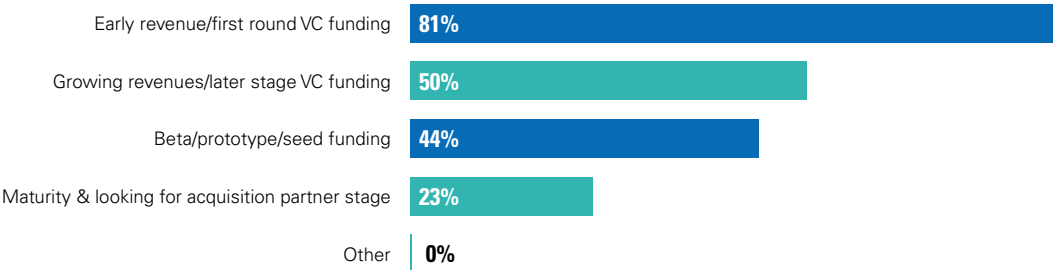
When is the best time to start more actively leveraging C100 resources and programs? According to more than eight-in-ten of our respondents the ideal time is when a company is in early revenue stages looking for the first round of VC funding. Fifty percent say the best point would be when they are seeking later-stage VC funding and 44 percent say engagement is also key at earlier stages of company growth,

when the company is at the beta/prototype, seed funded stage of development.

“We are broadening our Silicon Valley base of charter members to support entrepreneurs from almost every stage of a company’s growth cycle,” notes Angela Strange, “As the Canadian ecosystem has matured, so too has our membership.”



Best time to leverage the C100 resources and programs



Entrepreneur insights

Our respondents offer comments on how the C100 has helped their company's growth

Exposure and Learning

"Exposing my company to US marketplace and technology scene."

"We went down early on. The initial takeaway was 'we don't know what we are doing.' But soon after it helped us just realize how underprepared and naive we were. It helped us really focus inward (product, customers), vs. outward (the Valley, funding etc.)."

"Focused us on the important fundamentals and drove us to think differently about markets and marketing."

"Introduced me to a broader/bigger way of looking at the world."

Networking and Introductions

"Introductions to influencers and potential board members."

"Connection to individuals that created strong relationships and mentoring."

"I met a mentor and potential board member."

"So far, just inspiration and some great contacts. It's our job to build on those as we build our business."

"I built some key mentor/supporter relationships via 48 hours in the Valley event that continue to enhance my ability to build/grow my business."

"Introductions to corporate venture groups."

"Contacts with Canadian corporate C levels."

"The mentorship sessions and group presentations gave me terrific insight into how Silicon Valley does business. Intro's and pitches to so many brand name VCs that I couldn't possibly have cold called my way into meeting. These VCs might participate in our VC Series B fundraise."

Access to VCs, peers and advice

"Access to other like minded entrepreneurs."

"Access to other like minded Canadian technology execs and inspirational Valley players."

"Feedback and advice on business strategy."

"We received helpful feedback from top VCs, which has impacted our fundraising strategy."

"Access to strategic partners and CEO mentors has accelerated our roadmap and also changed the way I'm looking at growth."

"Meeting peers/founders."

"Connecting with top tier VCs like Accel, Bessemer, Greylock, allowing me to present my company, get feedback and build important relationships."

"48 hours in the Valley event was the starting point of our VC Series A fundraise and made us understand that we needed to aim bigger!"



Key take aways



1 The Canadian innovation and technology industry is in the midst of a significant resurgence. With Canadian founded companies growing from startup to Unicorn status and IPO (as Shopify recently did), to others being acquired by larger corporations in headline grabbing deals (such as Eloqua's acquisition by Oracle for \$871 million and Taleo's acquisition, also by Oracle, for \$1.9 billion), Canada is clearly back on the international map, boasting the talent and the capabilities to grow world-leading companies.

2 A new class of Canadian entrepreneur is emerging and they are focused on "giving back." Company founders who have built a company and exited are looking for ways to contribute

back to the Canadian ecosystem by founding or funding new companies or mentoring others and, in doing so, are helping the next generation of entrepreneurs to keep this 'flywheel' going.

3 More companies and founders are staying in Canada. Entrepreneurs see Canada as a great place to build a company and increasingly want to build a game-changing company on home turf. In particular, Canada's entrepreneurs believe they can achieve significant cost advantages, supported by the maturing Canadian ecosystem, more sources of funding, mentors and success stories.

4 Silicon Valley remains a critical piece of a company's growth strategy. Regardless of where they are located,

Canada's entrepreneurs see Silicon Valley as a center of inspiration and valuable networking. The access that connections in Silicon Valley can provide to funding, corporate partnerships, mentoring, peer companies, best practice ideas, and learning is essential.

5 The C100 plays an important role helping Canadian entrepreneurs build vital connections to the resources they need to grow best-in-class companies. In addition to understanding US investor expectations, global industry best practices and top entrepreneur mindsets, experience with the C100 helps Canada's entrepreneurs "think bigger" as they guide their company's growth trajectory.

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About KPMG's Technology, Media and Telecom industry practice

Our Technology, Media and Telecom practice provides audit, tax and advisory services through a national network of professionals with deep understanding of the needs of technology sector companies. We work with many of Canada's top founders, management teams and boards across the entire company lifecycle - from startup and commercialization, to raising capital and international expansion, to planning for liquidity, transactions or public markets.

We understand what it takes to build a world-leading technology company and the value of the right connections. We bring our national and Silicon Valley networks of funding partners, mentors, and advisors to the companies with which we work.

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About the C100 Association

The 2010 Winter Olympics in Vancouver had a deep impact on the Canadian psyche and created a brazen, publicly demonstrated drive to "Own the Podium." That ambition rippled into the Silicon Valley technology community and planted the seeds for the C100 Association, a nonprofit organization that connects Canadian entrepreneurs to Silicon Valley's most influential Canadians with the explicit mission to help companies win on the global stage.

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