The Importance of Supporting Angel Investment in Growing Ontario's Economy

Presentation to the

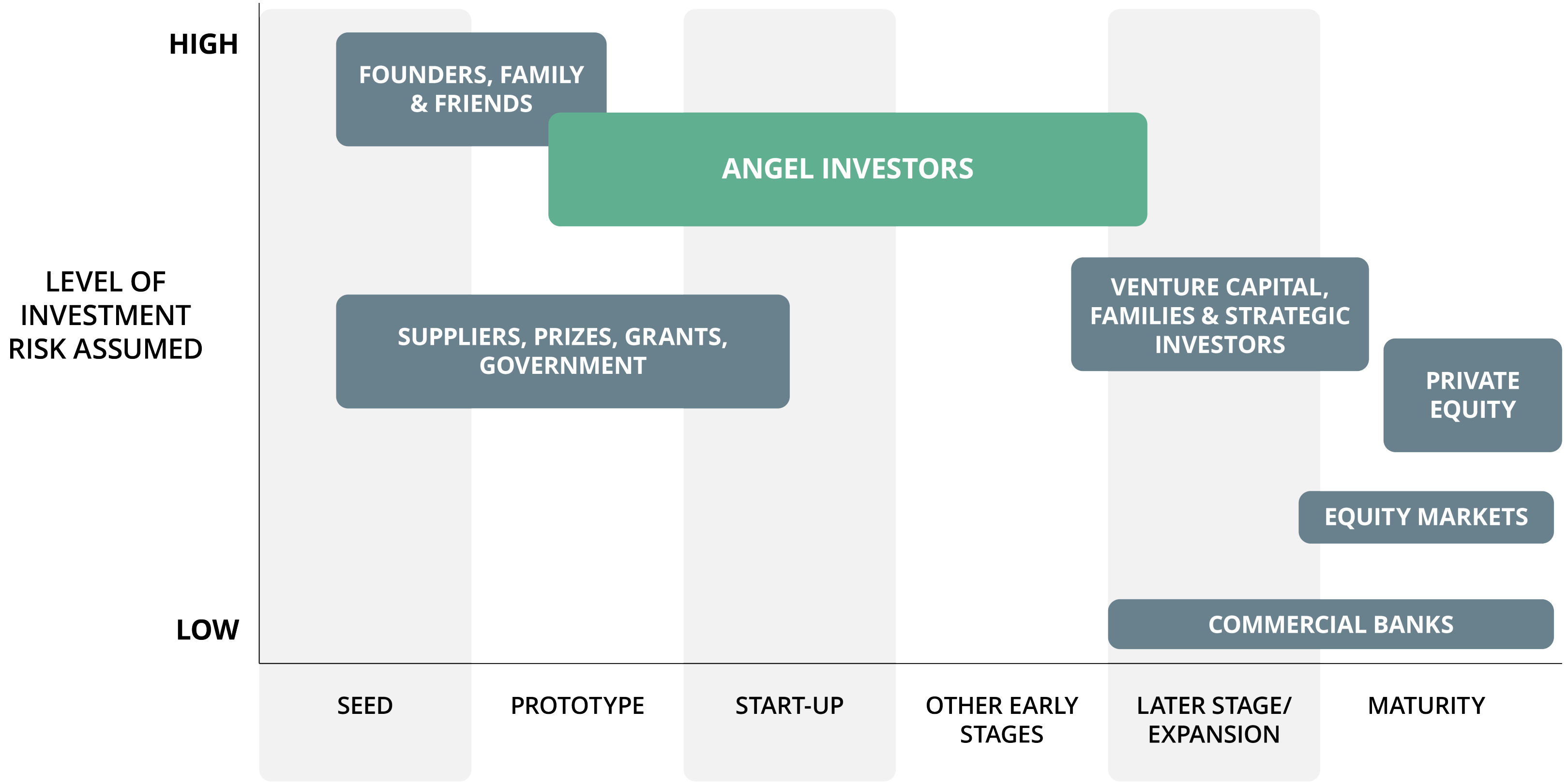
Standing Committee on Finance and Economic Affairs

August 19th, 2020

Angel investing is about financing and mentoring innovators and start-ups

Angel investment fills gap between founders, family and friends and Venture capital.

It is the capital that proves commercialization of an innovation



Why is Angel investment important ?

- Over $60 million invested by over 1,000 individuals into 300 plus companies ANNUALLY.
- Resulting in 1,000s of jobs and over $20 million in tax revenues (income tax and HST) at a cost of less than a combined total of $3 million per year from Ontario Government to support the angel ecosystem.
- Bridge between post-secondary education research and actual commercial innovation
- Without angel investment, founders would take their business somewhere else.

These companies would not exist in Ontario

(without angel investment)

EnthusiastGaming

shopify

Rna DIAGNOSTICS

intellijoint surgical®

HealthCare 365

kik

Co Health
Formerly Dash MD

chalk

TOP HAT

Force n

CLEARPATH ROBOTICS™

Wealthsimple

ColdBlock™ Technologies Inc.

oreka SOLUTIONS

Lending Loop

The goal of angel investing is to keep companies in Ontario

Invest.
Build.
Together.

ANGEL INVESTORS ONTARIO

Angel Investor's Ontario mission is to *grow Ontario's Angel investing ecosystem to build prosperity, create jobs and strengthen communities:*

- Facilitating the exchange of best practices for:
  - Increasing the number of angel investors.
  - Increasing the number of tech companies supported
- Supporting the ecosystem in Ontario through active communication and collaboration:
  - Education of founders and shareholders of companies as to angel investor expectations and investment criteria,
  - Facilitating the syndication of deals amongst all angel groups
- AIO the provincial organization to allocate government funds to regional angel groups thereby providing central accountability on a peer-to-peer basis

13 Angel Groups Across Ontario

1500 individual members, over $60 million invested annually

Benefits to Ontario's Economy… Startups are an Ontario strength

- The strategy of building the start-up ecosystem has helped Ontario transition to a new economy.
- **More than 50% of Canada's start-ups occurred in Ontario.**
- Ontario is viewed as a global center for digital transformation and innovation in:
  - Healthcare (devices, service delivery, pharma, genomics etc)
  - Advanced manufacturing (robotics, supply chain, mass customization etc)
  - Agri-food (local supply, safety, products, etc)
  - Cleantech (electrification, zero-carbon, clean water, etc)
  - Government service delivery (Gov-tech)
- **Like oil & gas is important sector for Alberta, tech startups are a major Ontario asset.**

A Role for Government in Support of Ontario's Angel Groups.

Angel groups cannot survive without <u>some</u> support from government

- **Ontario's Innovation Economy:**
  - Angel groups are the catalyst (financing and mentorship) for entrepreneurs to launch their start-ups;
  - Angel investments produce a direct return to Ontario via tax revenues and employment
  - Availability of angel investment supports the innovation economy in Ontario
  - Attracts high value talent and high paying jobs to Ontario
  - Supporting innovation and the technology economy in rural Ontario
- Financial support is only for the administration of the angel groups.
- **Regulatory changes** would help make angel groups more self sufficient in the future.
- Invest in the INFRASTRUCTURE that helps finance Start-Ups.
- ***Over $90 is directly invested by angels for every $1 of government support to angel networks. Approximately $2,500 per job created.***

Limited government funding can enable the infrastructure to finance startups by Angels

- No government funding has gone into the startups themselves, nor into the pockets of investors.
- **Government is not picking "winners or losers"**
- Government funding of AIO/Angel Groups enables investors to be organized, as well as supports and builds the *infrastructure* needed to grow early stage technology companies
- Funding helps to support:
  - Marketing to recruit new angel members to invest in startups
  - The whole ecosystem through education and connections
  - Administration for seeking out and selecting opportunities
  - Arranging pitch presentations and follow up
  - Closing the investments by angels into Ontario startups.
- **Due to COVID, startups are struggling for new financing. Angel investment can contribute to Recovery & Job Creation!**

QUESTIONS?

- **Jeffrey Steiner**

  President, Angel Investors Ontario (AIO)

- **Mark Lawrence**

  Chair, Angel Investors Ontario (AIO)

- **Michael Badham**

  Managing Director, Georgian Angel Network (GAN)