



BY THE NUMBERS

Saving Canada's startups and SMEs from the economic impacts of COVID-19

Putting Ottawa's grand rescue plan for Canadian SMEs in context

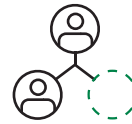
On April 17, the federal government announced a \$1.2-billion rescue package for Canadian startups and SMEs. \$250 million will be delivered through the National Research Council's Industrial Research Assistance Program (IRAP); \$675 million will go to SMEs that can't access other COVID-19 business support programs, by way of the Regional Development Agencies; Community Futures Network of Canada will receive \$287 million to help rural businesses and communities; and Futurpreneur Canada will receive \$20.1 million to continue helping young entrepreneurs.

The funding comes as Canada's startup ecosystem faces devastating consequences from the pandemic closures and the resulting recession.



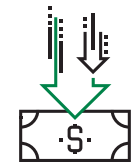
HEALTH CHECK

Assessing the Condition of Canadian Startups And SMEs



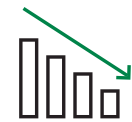
In a survey of 68 tech companies conducted by TECHNATION:

- 35% were already severely economically impacted by COVID 19
- 54% have had multiple projects cancelled or delayed.
- 19% expect to or have already laid off employees



A survey by the Toronto-based fintech startup Lending Loop found

- 63% average revenue drop among Canadian small businesses
- 71% of businesses with revenue drop of more than 50%
- 72% of businesses were unsuccessful obtaining a loan from CEBA, BCAP, BDC or other sources.



In surveys of their members, the Canadian Federation of Independent Business (CFIB) found that

- Nearly a quarter of businesses have no sales or revenues;
- A third have seen declines of 51 to 99 per cent of their gross revenues;
- Half of business owners cannot confirm their business will survive if the current restrictions remain until the end of May;
- And over half will not be able to pay May rent in full without further assistance.

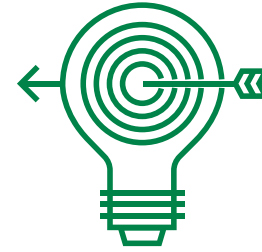
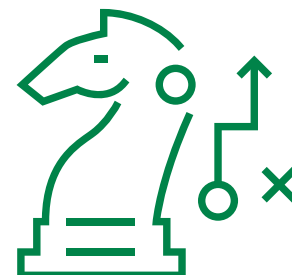


A survey of 300 entrepreneurs conducted by the Canadian Women's Chamber of Commerce (CanWCC) and Dream Legacy Foundation (DLF) assessed the impact of COVID-19 among underrepresented entrepreneur groups in Canada, including women, minorities and business founders with diverse ability levels.

- 85% experienced a loss of revenue/contracts/cash flow
- 72% faced confusion or uncertainty about benefits eligibility
- 54% are experiencing mental and physical health issues related to the pandemic
- 41% are also responsible for children or other family members

"We're really worried that the entrepreneurial mindset is going to take a big hit as a result of COVID-19, and it'll be viewed as a career path that's just too risky."

Judy Fairburn, co-founder, The 51, a financial platform of female investors and entrepreneurs



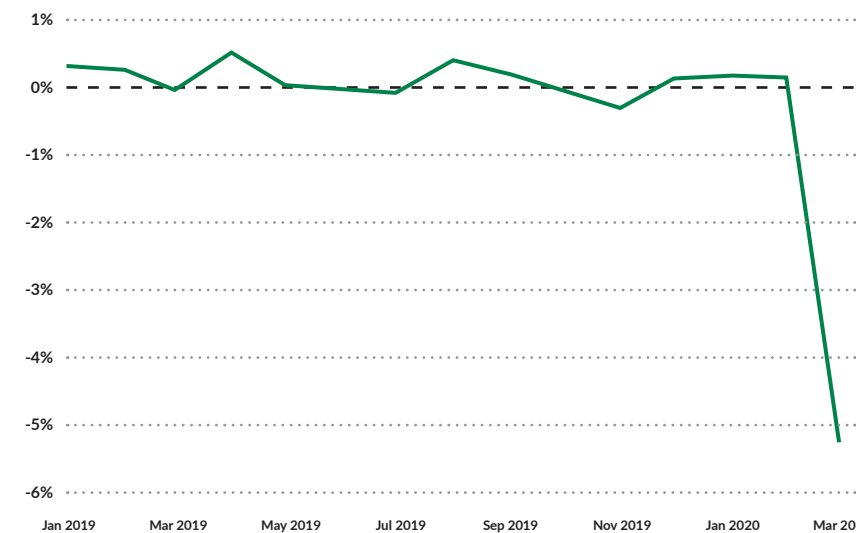
12% of Canada's economic output and 10% of the country's employment is contributed by the innovation sector.

Yung Wu, CEO, MaRS Discovery District

JOB

Effect of Covid-19 on Canadian Employment

The economic impact of COVID-19, as seen in the percentage change in Canadian employment.



29% Percentage of Canadians who report that COVID-19 affects their ability to meet financial obligations or essential needs

3,100,000 Total number of Canadians who were affected by either job loss or reduced hours

1,000,000 Number of people who lost employment between from February to March

Source: Statistics Canada

More Ways to Help Startups

Other recommendations to government by participants in Canada's innovation sector:

- Grant "blanket acceptance" into the emergency wage subsidy program for startup founders and their employees who are part of a recognized incubator or accelerator, without requiring these companies to show a revenue loss;
- Offer an income tax deduction to angels investing in a startup accepted into a recognized incubator or accelerator, and to angels investing in pre-seed investment funds put together by incubators and accelerators;
- Provide angel investors with a tax credit (e.g. 30-50%) for investing in tech startups;
- Provide matching funds for angel investors and angel-backed startups (similar to what BDC Capital provides for venture capital-backed companies);
- Offer low-interest loans, with a portion forgivable, to angel investors;
- Redesign the government procurement process to favour Canadian-made innovations rather than U.S.-based multinationals.

GLOBAL PERSPECTIVE



Figures from Around the world

International impacts of COVID-19 on startups, according to a global survey by San Francisco-based Startup Genome, published in April, 2020:

POLICY

38% aren't helped and do not expect to be helped by current policy relief measures;

CAPITAL

41% have three months or less of cash "runway" remaining;

EMPLOYMENT

- 74% have had to terminate fulltime employees
- 39% have eliminated more than a quarter of their employees
- 26% have eliminated more than half of their employees

REVENUE

- 75% saw revenues decline since the beginning of the crisis.
- 16% saw their revenue decline by more than 80%
- 12% saw their revenue increase by 10% or more

OPERATIONS AND MANAGEMENT

- 2/3 startups have reduced expenses since December, 2019
- 1/10 startups have cut costs by more than 60%