

A low-angle photograph of a modern glass skyscraper with a distinctive hexagonal architectural detail on its right side. The building is set against a bright, overcast sky. The bottom of the image transitions into a solid yellow bar.

Waterloo Tech Report

Q3 2020

In-depth coverage of the Waterloo Region tech ecosystem.

\$349.5M

Total Funding Raised in Q3

↑ Up 135%

14

Funding Rounds

↑ Up 17%

28

Investors

↑ Up 22%

Strong Q3 for Waterloo Region tech ecosystem led by Faire's US \$170M Series E round as they seek access to Waterloo talent pool.

The Waterloo tech ecosystem has had another record breaking quarter, collectively raising \$349.5 million over fourteen rounds. Wholesale marketplace startup Faire raised \$222 million, led by Sequoia Capital, including investment to grow it's Kitchener-Waterloo office. Also, ApplyBoard extended its Q2 Series C round by an additional \$70M, bringing the round's total to \$170 million.

In addition to the stand-out late stage venture activity, Waterloo continues to demonstrate an active early startup ecosystem. Seven of the quarter's fourteen deals represent early stage funding, with three of these being seed rounds. The region's early activity is also characterized by a large concentration of incubators/accelerators; The Accelerator Centre launched a cohort supporting thirteen Pre-seed startups, while the Autonomous Vehicle Innovation Network (AVIN) Waterloo Ventures at Communitech also launched its second cohort, supporting an additional nine startups.

The incubator presence in Waterloo also continues to grow. Q3 saw a newly announced partnership between The Accelerator Centre and business mentorship and workspace company - Catalyst Commons. The partnership will enable clients of both groups to access a wider range of world-class mentorship, professional resources, and flexible startup work environments.

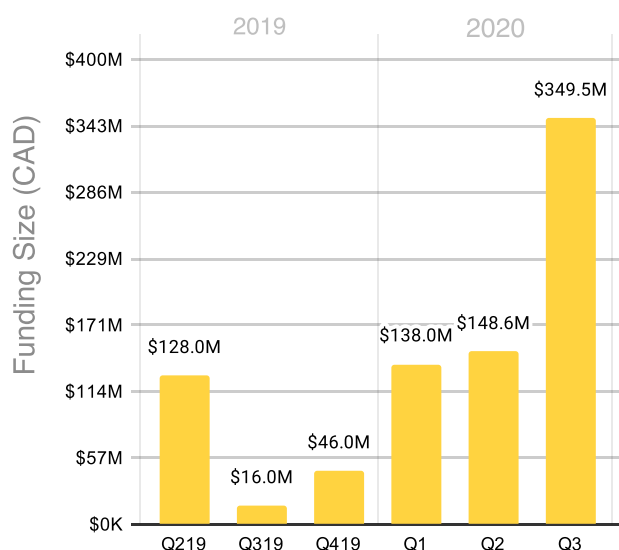
The investments raised by Faire and Applyboard are signs of the maturing ecosystem in Waterloo Region, which now has multiple Unicorns. Much like Toronto's Q3 results, Waterloo Region shows a 50% split between early stage and later stage deals. This balance along with the partnerships like the AC and Catalyst Commons for early stage companies, sets the foundation for continued ecosystem growth.

Rob Darling, Founder at Darling Ventures Consulting and former CTO of Communitech.

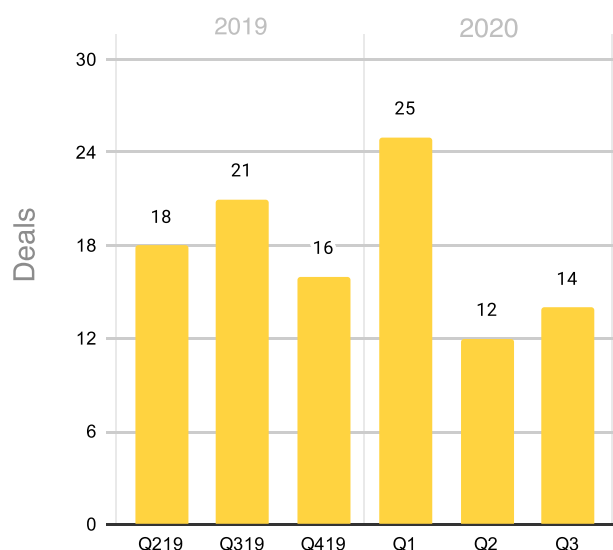
Waterloo set a quarterly high for the region over the past 6 quarters tracked in this report, raising \$349M in funding across fourteen deals. As is consistent with the region's historical trends, the funding amount was primarily driven by a few strong late stage deals. By comparison, deal amounts increased only slightly from Q2, while the distribution between late and early stage deals remained consistent.

The quarter also saw a notable increase in the amount of early stage funding raised. Q3 saw seven early stage deals raise a total of \$40M, an incredible 144% increase from the rolling early stage average of \$17M. The increase in early stage funding indicates that the ecosystem is continuing to grow in early innovation funding, and that the record quarter is not solely due to the stand-out late stage rounds.

Quarterly Fundraising



Quarterly Funding Rounds



The biggest deal this quarter was Faire's \$222M CAD Series E round, led by Sequoia Ventures, with Lightspeed Venture Partners, Forerunner Ventures, Khosla Ventures, Founders Fund, and Y Combinator also participating. Faire got its start through the Y Combinator accelerator program in California, but shortly thereafter returned to Waterloo's Velocity workspace. Faire opened its Canadian headquarters in Waterloo in February 2020, and since has grown this office to 150 employees. Reportedly, this Series E funding will enable Faire to expand their Waterloo presence by hiring an additional 50+ employees by the end of 2021, while also more than doubling Faire's valuation to \$2.5 Billion.

Additionally, Waterloo based unicorn ApplyBoard also extended its Q2 Series C funding by an additional \$70M. The extension included participation from investors Educational Testing Service (ETS), Index Ventures, Blue Cloud Ventures, and Harmonic, among others. The extension brings the Series C round to \$170M, which ApplyBoard plans to use to accelerate growth of their educational platform and expand into new destination markets. Also as part of the extension, ApplyBoard announced a partnership with global testing leader ETS, leveraging their expertise in assessments to help further bolster ApplyBoard's offerings.

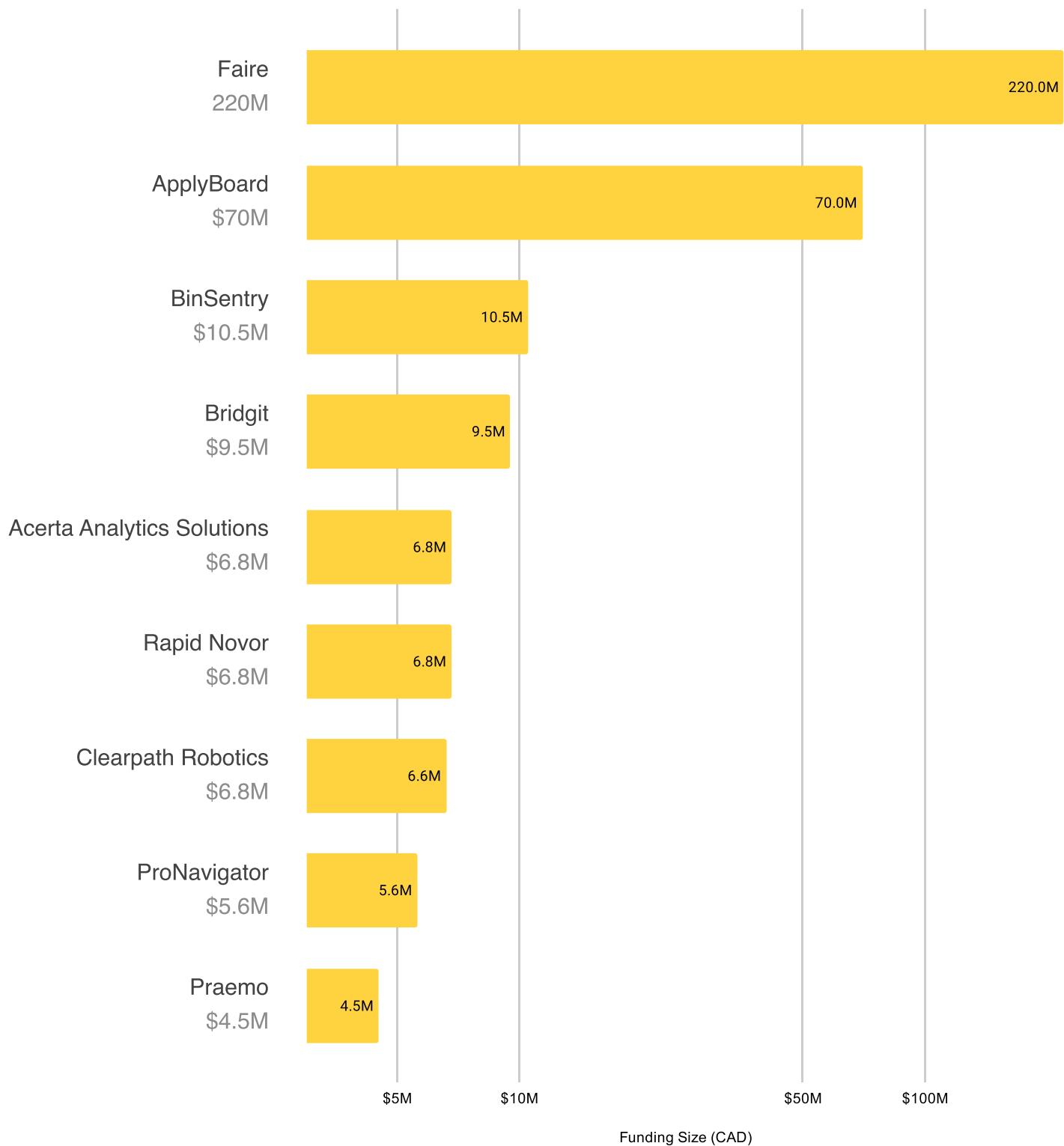
A strong example of Waterloo's early stage activity is BinSentry's \$10.5M Series A round. BinSentry has developed an IoT solution that enables feed mills and livestock producers to monitor on-farm inventory. The round was led by US-based Lewis & Clark AgriFood, and is intended to further develop BinSentry's product, while also taking the solution to the global market.

Also in notable early funding, construction management platform Bridgit raised a \$9.5M strategic investment led by Autodesk with support from EDC and existing investors BDC, Salesforce Ventures, Sands Capital, and Standup Ventures. Bridgit's platform has seen a 72% increase in demand since the start of the COVID-19 pandemic, and as such Bridgit intends to use this funding to accelerate its product and to seek new partnership integrations to better expand the versatility of their platform.

Other highlights from this quarter:

- AI powered automaker QA company Acerta Analytics raised a \$9M Series A, led by OMERS Ventures and including M12 (Microsoft's venture capital arm), Radical Ventures, and Techstars.
- Clearpath Robotics extended its Q2 Series C by an additional \$6.6M, bringing the round total to \$46.6M. The funding was led by McRock Capital, and included participation from Kensington Capital Partners, BMO, EDC, iNovia Capital, and RRE Ventures.
- Accelerator Centre graduate Rapid Novor, a protein sequencing company assisting in pharmaceutical and vaccine development, completed a \$6.8M Series A led by China-based Co-Win Ventures. Rapid Novor intends to use this funding to double their employee count within a year.

Largest Deals Q3 2020

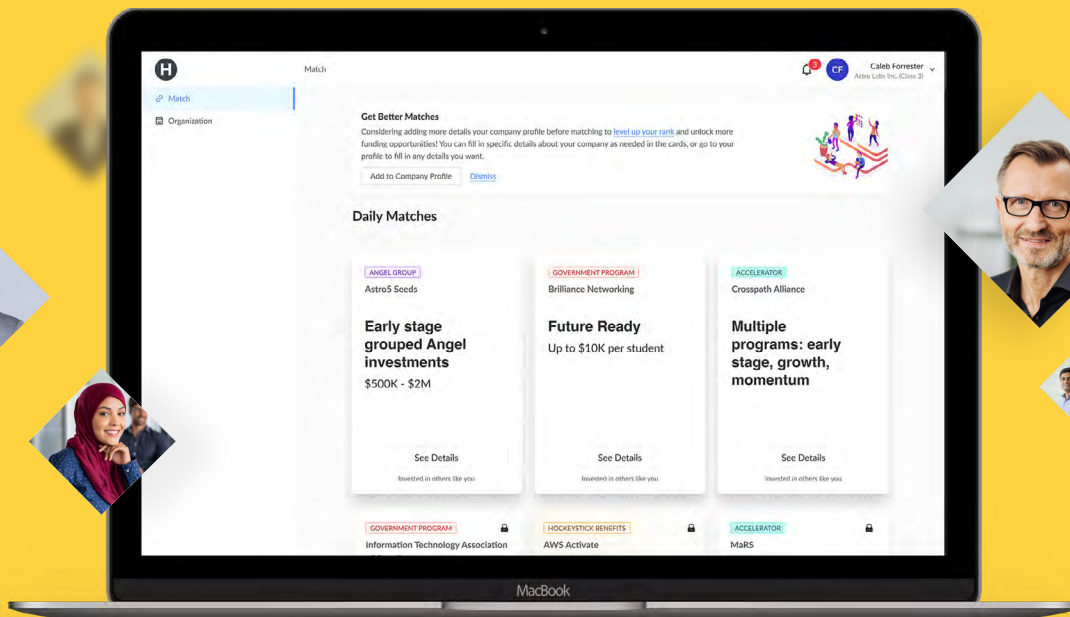




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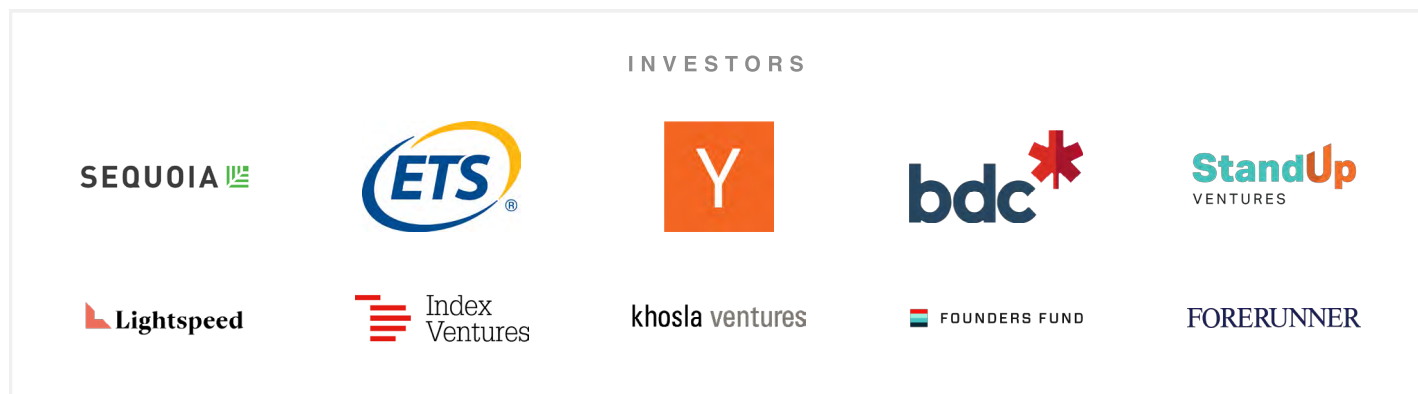
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Software as a Service

The most dominant Waterloo vertical in Q3 was Software as a Service with \$307M raised across six deals. This was including both ApplyBoard and Faire's raises. Waterloo's ecosystem has historically been strong in software based startups, and this quarter continues the trend.



Artificial Intelligence / Analytics

AI was the second most active vertical in Q3, representing 3 deals raising a total of \$13M. Acerta and Praemo, both B2B AI-powered analytics companies, respectively raised \$6.8M and \$4.5M in early stage deals. Waterloo historically has been home to many analytics focused startups, and this early stage funding showcases the region's continued tendency to spawn innovative AI and software startups.



Advanced Manufacturing

Waterloo also saw some activity in the Advanced Manufacturing vertical this quarter. Clearpath Robotics expanded its warehouse and construction robotics offerings with a \$6.6M Series C extension, while the region also saw some early activity in Evercloak's \$100K seed round.




The top investors in the Waterloo region are calculated as running one year counts from the start of Q4 2019 to the end of Q3 2020, and are split by early stage (Seed - Series A) and late stage deals (Series B+)

The top early stage investors as of Q3 2020 include Accelerator Centre, Velocity, and the Business Development Bank of Canada. As is typical for the Waterloo region, early stage activity is concentrated amongst the numerous business incubators/accelerators in the area.


Late stage funding continues to be relatively dispersed throughout the ecosystem, with only seven investors having participated in two unique late-stage rounds in Waterloo. BDC formerly was leading Waterloo's late stage investors, but now BMO Partners, EDC Equity, iNovia Capital, Kensington Capital Partners, McRock Capital, and RRE Ventures have all made two distinct late-stage investments.

Early Stage



Angel One Network	MaRS IAF
Co-Win Ventures	Panache Ventures
Garage Capital	Sunpo Capital
Golden Venture Partners	York Angels

Later Stage



iNovia Capital	McRock Capital
Kensington Capital	RRE Ventures

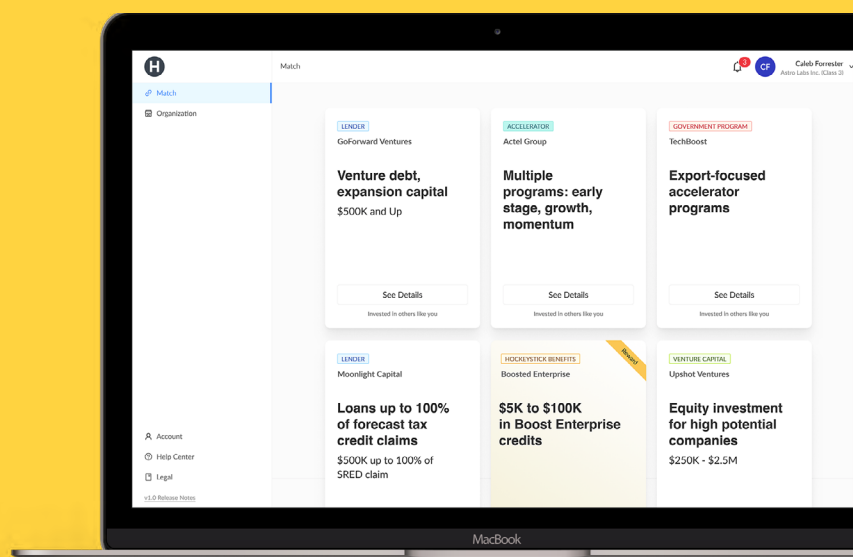


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