

September 30, 2020

PERSPECTIVE

Raising financing during turbulent times — Exploring for capital in the public markets

On August 13, 2020, the Autonomous Vehicle Innovation Network (AVIN) and Borden Ladner Gervais LLP co-hosted the second of a series of webinars presenting the views of leading experts in financing technology and innovation companies and their advice on how best to navigate the path to financing during the COVID-19 pandemic.

This webinar featured an impressive panel consisting of:

- Myles Hiscock – Managing Director, Investment Banking, Technology, Media & Telecommunications, Canaccord Genuity
- Richard Nathan – Senior Managing Director, Kensington Capital Partners
- Brent Layton – Co-Head, Technology & Innovation Investment Banking, CIBC Capital Markets
- Manoj Pundit – Partner, Borden Ladner Gervais LLP

An insightful discussion ensued and below are some key takeaways from the panelists' comments with regard to three topics: (1) key factors and considerations for companies in deciding whether to go public, (2) the types of investors companies need to engage with on the road to going public, and (3) the current state of the public capital markets.

What are the key factors and considerations for companies in deciding whether to go public? Is it a unique market opportunity, ongoing investor demand for liquidity or the overarching corporate objective?

- It usually comes down to simple math and where you can obtain funding at an optimal price. Historically, public markets would pay a premium to private markets. Recently, however, private markets have outbid the public markets.
- Beyond valuations, it comes down to having the right fit with your company's short and long-term objectives and strategies. For example, if you are a company seeking to achieve growth through acquisitions, being public can be advantageous in allowing you to access acquisition capital faster and respond to certain situations on a more flexible basis.
- Going public can be a big brand building event for a company – it allows them to build a global profile and market the business on a highly visible public stage.
- It is customary to compensate senior management and key employees with equity. The benefit of that equity compensation can be enhanced by having a "public currency", allowing those employees to obtain liquidity.
- A public listing can help you sell to enterprise clients since they can review your financial disclosure record, assess counterparty risk and determine whether they are comfortable that you will be in business for the foreseeable future.
- Structure of the deal is key. The benefit of being public is that all shareholders are in the same class, which favours the issuer. A large, sophisticated private investor typically prefers a tiered structure where they are treated preferentially.
- Going public is not viewed favourably if management is seeking liquidity for its shares in the offering, while certain growth equity investors will allow a secondary sale by management for a portion of its holdings in a private offering.
- The decision to go public often boils down to whether your business model is sufficiently developed and your revenue is sufficiently large and predictable. Lack of sufficient visibility quarter by quarter at the time of going public may hinder your future access to capital and sour investor sentiment. On the other hand, Canadian capital markets allow for early stage tech companies to raise "public venture capital" in conjunction with a going public transaction.
- There is no "one size fits all" approach. Each company will be driven by different interests and should carefully consider what those interests are before making a decision.

What types of investors do you find on the road to going public? Do they all share the same philosophy?

- In the private market, there used to be only two types of investors: venture and private equity. However, approximately 15 years ago, a new category of investor emerged: growth equity. The growth investors will typically do the Series B/C/D rounds and assist a company to scale faster.
- As fewer companies are going public, there are a handful of public investors dipping their toes into the private markets via pre-IPO rounds, which are typically where you find the banks and other large institutions.
- When private capital investors look at doing a Series A or B round, they usually want to get in front of the management of the company and not their advisors. In the later rounds, advisors are looked upon favourably and help provide guidance through the incredibly complex process of planning for and executing on a going public transaction.
- If you are doing a private round, you are really signing up with a partner that will be active and on board to work along side you on key business decisions.
- When raising capital in the private context, most funds have a fixed time to deploy capital and seek liquidity. They typically invest money over 3-5 years and then seek liquidity in years 10-12.

Where are the markets currently?

- Post-May 2020, after people figured out where their portfolios were at and where additional support dollars were necessary, the market opened back up, and in July the market became quite heated and continues to be so today.
- While public equity is larger in size, the private capital pool is in the trillions of dollars globally.
- The road show in the virtual age is very condensed – typically six days a week, 6 a.m.-7 p.m. You start in the UK and EU, then proceed to the west coast and finish the day in the east coast.

- There used to be an unwillingness to write cheques before having a number of in-person meetings culminating in a social event, such as a dinner, but that is now a thing of the past.
- The appetite for technology companies is as strong as ever. Investors are looking for opportunities where technology companies benefit from, or are at least not hindered by, COVID-19.
- In Canada, we have a resource-dominated economy and investors are comfortable in the risk associated with those industries and increasingly, Canadian investors are comfortable with the risks associated with investing in the tech space.
- We are seeing top technology companies trade at a premium to U.S. peers because Canadian investors have far fewer opportunities and are willing to pay a premium for what they can pay for a similar business in the U.S.
- In the AV sector, a market leader has not yet emerged and the window is open for a company to step in and achieve that critical mass to become the market leader.




Stay tuned for the next webinar in this series, the date and topic of which will be announced in the near future. Feel free to contact us at avs@blg.com for further information on this event.

By: [Manoj Pundit](#), Jonas Farovitch




Services: [Capital Markets](#), [Transportation](#), [Autonomous Vehicles](#), [Renewable Energy](#)

Key Contacts

Manoj Pundit
Partner

 Toronto
 MPundit@blg.com
 [416.367.6577](tel:416.367.6577)

Robert L. Love
Partner

 Toronto
 RLove@blg.com
 [416.367.6132](tel:416.367.6132)

Luke Dineley
Partner

 Vancouver
 LDineley@blg.com
 [604.640.4219](tel:604.640.4219)

Josiane Brault
Partner

 Montréal
 JBrault@blg.com
 [514.954.2557](tel:514.954.2557)

Table of contents

2024 Series

- [Ontario's newly proposed pilot program for automated commercial vehicle testing](#) - November

2023 Series

- [Autonomous vehicle laws in Canada: Provincial & territorial regulatory review](#) - January
- [Driving into the future: U.K. announces regulatory scheme for the use of automated vehicles](#) - December

2022 Series

[Autonomous vehicles: Key 2022 industry hotspots](#) – April

[Autonomous vehicle laws in the States: Congress offers hope for national regulatory framework](#) – June

[Autonomous vehicles: cross jurisdictional regulatory perspectives update](#) – October

2021 Series

[Autonomous vehicles: Moving forward in 2021](#) – January

[Full steam ahead: Recent developments in maritime autonomous technology](#) – February

[Next-gen spotlight: 5G, autonomous vehicles and connected devices](#) – March

[Raising financing during turbulent times: Debt capital options for tech companies](#) – April

[Construction and autonomous vehicles: Considerations for increased adoption](#) – May

[Autonomy on the roads: Intelligent Transportation Systems](#) – June

[Autonomous vehicles in mining operations: Key legal considerations](#) – July

[Autonomous technology in Calgary: Reducing emergency vehicle travel times](#) – August

[Autonomous vehicles: Cross jurisdictional regulatory perspectives](#) – September

[Transport Canada: 2021 Guidelines for Testing Automated Driving Systems in Canada](#) – October

[Autonomous vehicles: Canada's readiness for the future](#) – November

[Autonomous vehicle laws in Canada: Provincial & territorial regulatory landscape](#) – December

2020 Series

[Driving change: The year ahead in autonomous vehicles](#) – January

[Mobility-as-a-service & smart infrastructure: A new risk paradigm](#) – February

[The future of farming: Autonomous agriculture](#) – March

[Autonomous transportation in the time of COVID-19](#) – April

[Driverless vehicles: Two years of autonomy on Québec roads](#) – May

[A review of Canada's vehicle cybersecurity guidance](#) – June

[Highlights of the connected and autonomous vehicles report by ICTC and CAVCOE](#) – July

[Raising financing during turbulent times: The takeaways](#) – August

[Raising financing during turbulent times: Exploring for capital in the public markets](#) – September

[Advanced driving assistance systems: Three issues impacting litigation and safe adoption](#) – October

[Autonomous vehicles and big data: Managing the personal information deluge](#) – November

[Payments on wheels: Self-driving vehicles and the future of financial services](#) – December

2019 Series

[The Legal Crystal Ball: Autonomous Vehicles Development to Watch For in 2019](#) – January

[Autonomous Vehicles and Export Controls](#) – February

[The State of Insurance and Autonomous Vehicles in Ontario](#) – March

[Collective Bargaining and the Implementation of Autonomous Vehicles Technologies](#) – April

[Building a Privacy-Compliant Autonomous Vehicles Business](#) – May

[The State of Autonomous Vehicles in Alberta](#) – June

[Unfamiliar Waters: Navigating Autonomous Vessels' Potential and Perils](#) – July

[The Lay of the Land: Obtaining a License for Testing Autonomous Vehicles in Ontario](#) – August

[The State of Autonomous Vehicles in Saskatchewan](#) – September

[Lingua Vehiculum: The Competition for Connected Car Communication](#) – October

[Autonomous Vehicles and Equipment in Construction](#) – November

[The Future of Mobility: The 2020 Autonomous Vehicles Readiness Matrix Legal Summit](#) – December

2018 Series

[Current Industry Developments](#) – February

[Managing Cybersecurity Risks](#) – March

[Québec Regulation Update](#) – April

[The Connected City](#) – May

[Are Patent Wars Coming for AVs?](#) – June

[Automated Vehicles May Revolutionize Mobility but Perhaps not Auto Insurance](#) – July

[Cleared for Take-off: Autonomous Technology and Aviation Litigation](#) – August

[The Ultimate Mobility Synergy: Autonomous Vehicles and Electric Vehicles](#) – September

[Automotive and Insurance Industries Consider Hot Issues Faced by the Autonomous Vehicles Sector](#) – October

[Insuring Automated Vehicles: The Insurance Bureau of Canada Recommends "Single Insurance Policy"](#) – November

[Autonomous and Connected Vehicles – "Ideal" for a Class Action?](#) – December