Mike Pedersen, Chairperson of the Board, BDC

Hello everyone. Bonjour à tous.
Welcome to BDC’s 2019 Annual Public Meeting.
My name is Mike Pedersen and I am BDC’s Chair of the Board.
With me today is BDC’s President and Chief Executive Officer, Michael Denham.
The objectives of today’s meeting are to:
• review what we have achieved over the past year and
• present our financial results for fiscal 2019, ending March 31, 2019
This was my first full year as Chair of BDC’s Board of Directors. Having spent more than three decades in the banking industry around the world, I was happy to join an organization with such an important mission – helping entrepreneurs succeed.
My experiences over the past year confirmed what I believed about BDC when I accepted the position: BDC does a remarkable job of supporting Canadian entrepreneurs succeed and, in doing so, makes an essential contribution to our country’s prosperity.

BDC’s mandate is unique – it is the only bank devoted exclusively to entrepreneurs in Canada.

In a nutshell, BDC helps entrepreneurs in all industries get the financial resources and advice they need for their business.

We offer three types of services:

- First, financing – this is roughly 90% of our portfolio
- Second, the full spectrum of specialized risk capital, including venture capital, as well as growth and business transition capital.
- And third, we also offer a full range of advisory services to entrepreneurs.

BDC is an innovative, profitable organization.

We have a robust corporate governance structure to maintain the confidence and trust of our stakeholders—namely, entrepreneurs, employees, and our sole shareholder, the Government of Canada.

Here are the main activities on which the Board focused in fiscal 2019.

The Board supported the Bank’s digital transformation strategy to modernize its interactions with entrepreneurs and make it as easy and as fast as possible for entrepreneurs to do business with BDC. This work is well underway and will continue in the coming years.

For example, BDC’s clients now have access to a user-friendly, reliable digital platform where they can apply for loans, check their account balance and exchange with us online.

The Bank’s account managers are now authorizing loans on tablets, anytime, anywhere.

BDC is a different kind of bank, and one of its most important differences is the advice it provides to entrepreneurs through our Advisory Services.

A Statistics Canada analysis found that BDC clients – especially those who received both advisory services and financing – saw higher revenue growth than non-clients.

This is why the board paid close attention this year to management’s efforts to refine the offerings of Advisory Services.

In particular, we saw strong progress made in providing mentoring, coaching and leadership training to high-impact firms through the Growth Driver Program and BDC’s participation in the federal government’s Accelerated Growth Service.

Another important project, and the subject of ongoing Board focus, was risk governance.

Under the board’s supervision, BDC successfully addressed areas identified by the Office of the Superintendent of Financial Institutions for improvement in order to optimize our risk management practices and control environment.

Separately, BDC’s joint auditors, the Office of the Auditor General of Canada and Deloitte, completed a special examination in accordance with the Financial Administration Act. The report
was positive and confirmed that BDC has the necessary systems and practices in place to fulfill its mandate.

The board continues to oversee the evolution of management’s longer-term strategic plans to ensure that BDC’s impact on Canada’s entrepreneurs continues to grow.

- Last year, we continued overseeing efforts to support key government initiatives last year, such as:
  - Building Canada’s innovation ecosystem
  - Accelerating growth for women entrepreneurs, and
  - Helping cleantech companies scale up

Let me comment briefly on each of these three priorities.

- First, the **Venture Capital Catalyst Initiative (or “VCCI”)**, announced in the 2017 federal budget, aims to make $400 million available to increase late-stage venture capital to entrepreneurs. An additional $50 million was added in the 2018 budget. With funds from the private sector, these investments are expected to lead to investments of $1.6 billion into Canada’s innovation ecosystem. In fiscal 2019, the Board authorized investments in four funds of funds and in four direct funds as part of this program. In addition, the Board authorized VCCI Stream 3 funding for cleantech firms.

- Second, BDC also continued to support the development of the Government’s Women Entrepreneurship Strategy which aims to double the number of women-owned businesses in Canada by 2025. Meanwhile, BDC took its own specific initiative to advance women entrepreneurship in Canada. It has committed to providing **$1.4 billion in financing to women-led businesses** over three years. In addition, BDC Capital’s **Women in Technology Venture Fund** completed its first year of operation since we tripled its size to $200 million, making it the largest venture fund of its kind in the world.

- BDC’s **Cleantech Practice** was launched in February 2018 and will deploy $600 million until 2023 in loans and equity to help support the growth of globally competitive environmentally impactful businesses. Up to the end of fiscal 2019, a total of $153 million was already invested under this initiative.

- Finally, one of BDC’s priorities is to help more Canadian businesses in all industries export more. For example, we have been working with Export Development Canada for years to ensure that entrepreneurs have the financing and advice they need to expand abroad.

To sum up, this was another strong year for BDC, for the benefit of Canadian entrepreneurs.

I would like to thank my Board colleagues for their guidance and strong stewardship throughout the year. Special thanks to Anne Whelan who was appointed to the board of the Bank of Canada and had to resign after two years on BDC’s board.

I would also like to welcome our new members: Cathy Bennett, Abdullah Snobar, and Suzanne Trottier. We are really glad to have you on board.
I want to congratulate President and CEO Michael Denham, his management team and all BDC employees for the outstanding work they are doing to help advance entrepreneurship in this country.

Canadian entrepreneurs told us that they need fast, simple access to financing - The Bank already has the building blocks of its digital strategy and is well positioned to continue its digital transformation into the next fiscal year and beyond.

Entrepreneurs in this country need our support to innovate, achieve productivity gains, and scale their businesses.

And BDC will continue our focus on entrepreneurs such as women, new Canadians, Indigenous peoples, and asset-light high-growth companies. These segments of entrepreneurs are still facing significant barriers when trying to build and grow a business, and we can help them.

I am impressed by the momentum BDC has built and, together with my board colleagues, I look forward to the future with confidence. BDC has the expertise, resources and leadership to support entrepreneurs in creating innovative, competitive, growing businesses for the benefit of all Canadians.

With that, I will now turn things over to Michael…

Michael Denham President and Chief Executive Officer, BDC

Thank you, Mike. Hello, everyone.

After four years as BDC’s President and CEO, I have to say that I am proud of the progress that we are making in our work with Canadian business owners.

As the only bank in the country devoted exclusively to entrepreneurs, we know how demanding it is to run a business. That’s why we have a responsibility to work as hard and as fast as entrepreneurs do.

We are now working with more business owners.

BDC is supporting a record number of 60,000 entrepreneurs with financing, investments and advisory services—in every part of Canada and every sector of the economy.

Over the last 4 years, BDC increased its number of clients by 50%. This is great news because it means that we are able to help more entrepreneurs to grow their business.

Some 94% of our clients say they are satisfied with our services, and we are rated among the most trusted financial institutions in the country by entrepreneurs.

This reflects our philosophy of developing strong relationships with our clients, well beyond just completing a transaction.

These numbers will give you an idea of the impact of the entrepreneurs that we support. BDC’s 60,000 clients alone:
• Employ almost 1 million people
• And generate $350B in annual revenues

The Bank is in great shape and performed strongly in fiscal 2019.

We reached a total of $35 billion in total capital committed to entrepreneurs, which is $4 billion more than the previous year and a 45% increase compared to 4 years ago…

…last year, we provided increased access to capital and reached an all-time high level of loan acceptances. Our Financing clients accepted $7.2 billion in loans, a 5.9% increase from the previous year…

And in fiscal 2019, we reported a consolidated net income of close to $886 million.

This will allow a dividend payment of $128.4 million to the Government of Canada, our sole shareholder.

Our financial position is solid and we continue to operate at no cost to Canadian taxpayers.

Our focus in fiscal 2019 was on:

1. Moving at the speed of entrepreneurs
2. Enabling success with expert advice
3. Helping businesses scale up
4. Fostering a healthy, vibrant ecosystem; and
5. Meeting the needs of underserved entrepreneurs

First, as Mike mentioned, we have made big investments in automating our processes and enhancing our use of digital technologies.

Our clients are very busy and focused on their companies. The simpler we make it for them to do business with us, the more time they have to focus on their own business.

All of our 600 account managers are equipped with iPads. Thanks to our flagship app, BDC Express Loan, they can authorize loans of up to $750,000 in less than 30 minutes (and in some cases less than 10 minutes) during a single visit at the client’s place of business. So far, we authorized 4,000 loans using the Express Loan app and saved 32,000 hours of manual work.

Business owners can also apply for loans of up to $100,000 online at bdc.ca. Our online financing platform continues to be an important part of how we serve Canadian entrepreneurs for speed and convenience and we will continue to improve it.

We know that entrepreneurs need more than just money. And access to good business advice is a key growth enabler for companies of all sizes.

This is why we provide non-financial support for entrepreneurs through our BDC Advisory Services division.
Our Advisory Services helps entrepreneurs solve a variety of business challenges, such as optimizing their finances, implement technology, cut costs or expand to new markets. In fiscal 2019, BDC Advisory Services delivered in excess of 1,600 mandates to help companies grow faster, become more efficient and innovate.

As a country, we need to get more businesses to a size where they can compete effectively on the national and international stages. That’s why BDC is focused on helping businesses achieve this scale.

We made a number of important commitments in this regard:

- We have committed **$1.8 billion in growth capital** over five years to accelerate our support for asset-light high-growth companies.

- We ramped up our **Growth Equity** solution. This helps entrepreneurs expand and keep control of their companies. It positions BDC as a management friendly partner, investing in established companies that are looking to become industry leaders while reducing financial risk.

- With the baby-boom generation of entrepreneurs heading to retirement, we have committed $900 million to **financing business transitions** over five years through our Growth & Transition Capital team. Close to $200 million has been deployed to date.

- On the advice side, our **Growth Driver Program** provides strategic advice, coaching and leadership development to ambitious mid-sized firms that want to grow faster. With more than 120 companies in the program, we have refocused its scope to allow for more impactful interventions for each client.

BDC Capital—our investment arm—continues to play a prominent role in fostering a healthy, vibrant Canadian innovation ecosystem.

Now, with over $3 billion under management, BDC Capital invests directly and indirectly into 800 innovative businesses.

We have evolved our strategy to be able to make more later stage investments. Our co-investment team has stepped up the pace of its investing activity to participate in larger and later rounds.

Moreover, to create additional funds at scale, we decided to open up two of our captive funds – IT and Health – to outside investors. This led to the creation of Framework Venture Partners and Amplitude Ventures.

We also created a new direct fund focused on innovation in the industrial sector. The fund will seek to revitalize sectors such as manufacturing, mining, and oil and gas by investing in tech companies that can increase their competitiveness.

Here is a second example of an area where we are working to help more entrepreneurs: cleantech.

Specifically, we are working to help great Canadian cleantech companies scale up.

BDC has a long history of investing in cleantech. We cover the entire spectrum, from seed to exit.
As Mike said, Budget 2017 enabled us to do even more. It provided a $600-million commitment to clean technology over five years. That will allow us to take more risk to help high-potential companies overcome financing obstacles and other barriers to scaling up, and to compete better globally.

To deploy this capital, we launched a national, multidisciplinary team of investment and financing professionals. This team is 100% dedicated to cleantech.

By the end of fiscal 2019, $153 million was deployed under this initiative. More broadly, we have also invested and additional $160 million in cleantech companies in addition to this initiative.

We are also committed to making sure all entrepreneurs have the same opportunities to succeed.

As part of this, we have a specific focus on women entrepreneurs and have put in place a set of strategies to help them grow.

We lent $570 million to majority women-owned businesses in F2019, putting us ahead of our $1.4 billion target until F2021.

Our $200 million Women in Technology Venture Fund – largest of its kind in the world – invested in 25 companies since its inception.

In fiscal 2019, close to 900 women from across Canada attended our 14 WE Talk Business Bootcamps that connected women entrepreneurs with the resources they need to grow their businesses.

We also have a dedicated Indigenous Banking Unit, offering a number of activities and initiatives specially designed for Indigenous entrepreneurs, such as the Indigenous Entrepreneur Loan.

We have more than 700 Indigenous clients across Canada, 9 dedicated account managers and $350 million committed to Indigenous entrepreneurs.

All this was possible due to the incredible work of my 2,300 colleagues. I would like to thank all 2,300 BDCers for an outstanding year serving entrepreneurs.

As we look forward to BDC’s 75th anniversary this Fall, I must say that I am constantly impressed by the ingenuity, resilience and ambition of our people and Canadian entrepreneurs.

On behalf of all of us at BDC, thank you to our 60,000 clients for partnering with us and for everything you do for our communities and our country.

Our promise to you is that BDC will continue to support you the best we can and continue to be wherever you need us to be.

BDC will continue its work to meet Canadians’ expectations and carry its mandate effectively, by meeting high responsibility standards and by doing business in an environmentally responsible manner. We will continue our community investments with a focus on entrepreneurs’ well-being and will enhance our leadership of Canada’s B Corp movement – a movement of entrepreneurs whose companies create local prosperity, strong communities and a sustainable environment.
This concludes today’s meeting. If you have any questions, please send them to info@bdc.ca. It would be our pleasure to answer them.

Thank you, Mike, and thank you to everyone watching online for your time and your attention.

Have a great day.