



LSO – OBIO Joint 2023 Pre-Budget Consultations Submission

Dear Members of the Standing Committee on Finance and Economic Affairs,

Life Sciences Ontario and Ontario Bioscience Innovation Organization are pleased to have the opportunity to contribute this written submission as part of the Standing Committee on Finance and Economic Affairs' 2023 pre-budget consultations.

Increased Investment in Life Sciences

We ask the Ontario Government to make a long-term capital investment in the province's life sciences sector that is managed by life science investment specialists and could be leveraged to attract significant private investment.

We were extremely pleased with the 2022 announcement of Ontario's Life Sciences Strategy that aims to build the foundation for a world-class life sciences sector that provides high-paying jobs and develops innovative solutions to improve the lives of Ontarians. The Strategy seeks to: grow Ontario's biomanufacturing footprint; build domestic resiliency in PPE and critical medical supplies; boost commercialization capacity of Ontario companies and startups; and adopt Ontario innovation to improve healthcare.

In order to foster a thriving domestic ecosystem of small and medium-sized enterprises (SMEs) in life sciences, increased access to capital is crucial. The Ontario Government states that access to capital was the number one issue heard during consultations for the Life Sciences Strategy and this matches what we have heard from our members.

As part of the Life Sciences Strategy, Minister Fedeli announced the Life Sciences Innovation Program (LSIP), now called the Life Sciences Innovation Fund (LSIF), which is a \$15 million early-stage fund administered by the Ontario Centre of Innovation (OCI). The fund is a critical first step to ensuring that Ontario becomes a global leader in the commercialization of life sciences innovation. While we welcome the announcement, we would also like to suggest an additional opportunity to grow the life sciences industry.

Under the LSIF program, eligible Ontario-based companies that have raised less than \$3 million from third-party capital will receive up to \$500,000, which means that the fund will provide seed funding to a maximum of 30 companies across three years. In the Greater Toronto Area alone, there are over 400 life sciences companies, and we expect there to be significantly more demand for funds from promising SMEs across Ontario.

We also understand the plan is for each deal to be \$0.5 million from the government plus \$3 million to \$5 million private investment. While this funding may be sufficient for some companies in the early stages of development, life sciences companies such as those in biotech and others looking to scale up have larger capital requirements. Biotech companies, which account for one third of all Ontario life sciences companies, need larger investments because they must undergo multiple phases of costly clinical trials.



LSIF is intended as a bridge to support companies to a point where they could access Ontario's Venture Ontario Fund (VOF). However, without a dedicated allocation for life sciences, VOF funds are likely to be given to companies in other industries, notably tech where commercialization timelines to exits are much quicker than in the life sciences sector.

Our survey that found 78% of life sciences industry leaders in Ontario say a health innovation capital fund is the top action that should be prioritized to increase access to capital¹. Ideally, the Ontario Government's investment in such a health innovation fund would be on the order of \$100 million over 5 years, and the maximum deal size should be at least \$2 million. We propose that the Government would support the companies exclusively for the first two years to bring them to a value inflection point where they can attract significant venture capital investment. This level of support would be more attractive to biotech companies and private investors. In this way, up to 50 companies could be supported over a five-year period.

The Québec government is committing \$211 million over three years to the life sciences sector to spur an estimated \$4 billion in private investment by 2025. When non-refundable contributions, loans and equity are included, the Québec government will provide \$569 million in funding to support an estimated \$2 billion in direct investment in provincial industry.

We ask the Ontario Government to make a long-term capital investment in the province's life sciences sector that is separate from LSIF and managed by life science investment specialists. As the Québec experience has shown, a major commitment by the provincial government would bring Canadian private sector players to the table. In Canada, the pension fund sector holds about 15% of the total assets of the country's financial system but these giant institutional funds have not invested in the life sciences sector in the past. Ontario-based hospital foundations are also a potential source of investment. Without incentivizing Canadian private sector investors, U.S. and other global investors will continue to supply the bulk of the capital needed to commercialize research emerging from our world class universities and colleges, which would continue the trend of companies built on intellectual property developed in Ontario relocating to other competing jurisdictions.

We need to break the cycle of small, fragmented, inadequate funds given out in small parcels over time that do not generate an increase in intrinsic value for companies that would lead to sustainable financial returns and enable Ontario life sciences companies to compete globally. We ask the Ontario Government to create a health innovation capital fund of \$100 million over 5 years to bring Ontario life sciences companies to the point where they would attract significant private investment.

¹ Leading the Pack: Accelerating the Success of the Canadian Health Science Industry. Ontario Bioscience Innovation Organization. October 29, 2020.