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TRADE ACCELERATOR PROGRAM

TAP CANADA'S TRADE ACCELERATOR PROGRAM

ATLANTIC – TAP DIGITAL 2025

Day 5 – January 30, 2025

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RECAP ON DAY 4

Dave Archer

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TRIVIA

INTERNATIONAL TRADE – Q1

What does CETA stand for?

a) Canada's Excellent Trade Accelerator

b) Canada Europe Trade Agreement

c) Comprehensive Economic and Trade Agreement

d) Canadian Energy and Transportation Administration

TRIVIA

INTERNATIONAL TRADE – Q2

What is the most traded commodity in the world, by value?

a) Sugar

b) Crude oil

c) Coffee

d) Gold

TRIVIA

INTERNATIONAL TRADE – Q3

What is the definition of “Dumping”?

a) Selling for more in the domestic market than export market

b) Releasing nasty chemicals into the creek behind the plant

c) Giving deep discounts to preferred distributors

d) Selling at a loss to get rid of competition

TRIVIA

INTERNATIONAL TRADE – Q4

What is the currency of Mongolia?

a) Mongolian Mongo

b) Mongolian Tögrög

c) Mongolian Ruble

d) Mongolian Tenge

TRIVIA

INTERNATIONAL TRADE – Q5

Which three countries are the top destinations of exports from Canada?

a) India, Mexico, South Korea

b) Hong Kong, Netherlands, Italy

c) United States, UK, Mexico

d) United States, China, Japan

TRIVIA

INTERNATIONAL TRADE – Q6

Which country's exports were growing the fastest in 2023 (%)?

a) Guyana

b) Vietnam

c) Mongolia

d) Costa Rica

TRIVIA

INTERNATIONAL TRADE – Q7

What country’s imports were growing the most rapidly in 2023 (%)?

a) Ireland

b) Poland

c) Vietnam

d) Bangladesh

TRIVIA

INTERNATIONAL TRADE – Q8

How many Free Trade Agreements does Canada have in force?

a) 9

b) 15

c) 25

d) 5

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TRIVIA

INTERNATIONAL TRADE – Q9

Who is the largest freight forwarder in the world?

a) Two Guys and a Boat

b) DHL

c) Kuehne & Nagel

d) SinoTrans

TRIVIA

INTERNATIONAL TRADE – Q10

If the Canadian dollar declines in value against the US dollar, what will generally happen?

a) American exporters will gain a price advantage over Canadian companies

b) "Cheap" currencies (with exchange rates of more than 10:1 against the Canadian dollar) will sell more into Canada

c) Canadians will buy up more real estate outside Canada

d) Canadian exporters will gain a price advantage over most companies doing business in US dollars

TRADE ACCELERATOR PROGRAM

TAP CANADA'S TRADE ACCELERATOR PROGRAM

GOVERNMENT FUNDING FOR CANADIAN BUSINESSES

RDP ASSOCIATES

Brian Cookson

NATIONAL FOUNDING PARTNERS

RBC EDC

NATIONAL ADVISORY PARTNER

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SR&ED Tax Credits; Grant Overview for 2025; Clean Tech Tax Credits

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GRANTS

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM (IRAP)

$10M

limit on the funding amount per project

$700M

in total program funding available over 5 years

FUNDING FOR:

- Project costs for development and commercialization of innovative, tech-driven products, services or processes

Program Objective: **"[to] provide financial support to qualified small and medium-sized enterprises in Canada to help them undertake technology innovation…."**

OPEN TO INCORPORATED SMEs WITH <500 EMPLOYEES

- One FTE at least

IRAP

IRAP grants generally range from $100K to $500K per application. IRAP funds 50% to 80% of project costs.

Projects need to be innovative and have a large impact in key areas such as advanced manufacturing, AI or innovative housing construction (i.e. 3D printing).

You need to contact IRAP and arrange a “pitch” session to be invited to apply

CANADA'S INNOVATION SUPERCLUSTERS

670 "innovation partners"

5 clusters

- digital technology data-driven enterprises
- protein innovations in Canadian crops
- manufacturers as the next technology integrators
- artificial intelligence supply chains
- ocean and marine (bio)technology

INNOVATION SUPERCLUSTERS

Superclusters will fund R&D/Innovation projects up to $30M and will cover up to 30-40% of all project costs. The key aspect is that at least two Canadian companies must form a partnership to apply (no one company can apply for funding on their own). It is a staged application process starting with an Expression of Interest, and if invited, a full application.

CANADA'S REGIONAL DEVELOPMENT CENTRES

▪ FedDev	Southern Ontario
▪ FedNor	Northern Ontario
▪ CanNor	YT, N.W.T, NU
▪ ACOA	NB, NL, NS, PEI
▪ PrairiesCan	AB, SK, MB
▪ PacifiCan	British Columbia
▪ CED	Quebec

ACOA – BUSINESS DEVELOPMENT PROGRAM

50-75%

of project costs are funded

No fixed amount for total project costs.

Program Objective:

"provides access to capital in the form of interest-free repayable assistance to SMEs to help them start up, expand or modernize their business.

FUNDING FOR:

- Starting up, expanding or modernizing your business.

Currently accepting applications (continuous intake)

For entrepreneurs and non-profits

ACOA – BUSINESS SCALE-UP AND PRODUCTIVITY

Repayment contributions are unsecured and interest-free.

No fixed amount for total project costs.

Program Objective:

"helps businesses by providing interest-free repayable loans to accelerate their growth and assists with the adoption of innovative technologies that support scale-up, productivity and global competitiveness as well as the development of and entry into new markets."

FUNDING FOR:

- Growth, adoption, scale-up, and commercialization of innovative technologies.

Currently accepting applications (continuous intake)

Helps Atlantic Canada businesses at various stages of development, including high-growth firms.

Regional Economic Growth Through Innovation (REGI)

- **Regional Homebuilding Innovation Initiative**

  The Government is investing $50 million over 2 years, starting in 2024-2025, to support local innovative housing solutions across the country.

- **Regional Artificial Intelligence Initiative**

  The Government has allocated $200 million to Canada's regional development agencies (RDAs) to help bring new AI technologies to market and help accelerate AI adoption in critical sectors such as agriculture, healthcare, clean technology, manufacturing and other sectors of regional importance.

CANEXPORT

$50K

limit on the funding amount per company

$10M

annual program funding

FUNDING FOR:

- International travel
- Trade shows
- Marketing material
- Document translation
- Market research

Program Objective:

"Financial support for your small or medium-sized firm's development of new export opportunities."

OPEN TO SMEs REGISTERED IN CANADA THAT ARE SEEKING TO DEVELOP NEW EXPORT OPPORTUNITIES AND MARKETS

- >$100K revenue
- 1 FTE

CANADA JOB GRANT RATES BY PROVINCE

Province	Percentage of Eligible Costs Covered	Funding Amount (up to)
Alberta	66 - 100%	$10,000 - $15,000 (up to $300k per fiscal year)
British Columbia	80%	$10,000 (up to $300k per fiscal year)
Manitoba	50 - 75%	$10,000 (up to $100k per fiscal year)
Newfoundland and Labrador	66 - 100%	$10,000 - $15,000
New Brunswick	66%	$10,000
Nova Scotia	50 -100%	$10,000 (up to $100k per fiscal year)
Ontario	50 – 83.3%	$10,000
Prince Edward Island	66%	$10,000
Saskatchewan	66%	$10,000 (up to $100k per fiscal year)

MITACS ACCELERATE & ELEVATE

$60K

over 24 mths

limit on the funding amount per new hire

$708M

annual program funding

FUNDING FOR:

- Hiring new grads in tech-related role at tech-oriented company

Program Objective:

to "deploy top talent from Canadian post-secondary institutions to businesses and not-for-profits"

OPEN TO INNOVATIVE SMEs IN ALL SECTORS

GRADUATE TO OPPORTUNITY

RDP

GTO Grow: Year 1: covers **25%** of the first year's salary. Year 2: covers **12.5%** of the second year's salary

GTO Innovate: Year 1: covers **30%** of the first year's salary. Year 2: covers **15%** of the second year's salary

Program Objective:

"To build a stronger workforce and retain young people in Nova Scotia with a salary incentive that makes it easier to hire recent graduates."

FUNDING FOR:

Hiring new grads.

GTO Grow: The position must be new, permanent, full-time and pay at least **$37,500** a year.

GTO Innovate: The position must be to hire a recent masters or PhD grad for an innovation-focused job that pays at least **$60,000** a year.

OPEN TO:

- A small business with fewer than 100 employees
- A start-up company incorporated within 2 years of the application date
- A social enterprise, non-profit organization or registered charity with recognized standing

START PROGRAM

Wage incentive amounts on a case-by-case basis, considering:

- Type of employment offered
- Wages offered
- Employee's skill level
- How long the employee has been looking for work

Program Objective:

"helps connect employers with unemployed Nova Scotians who can fill their job vacancies."

FUNDING FOR:

Hiring an unemployed Nova Scotian

Offers a wage incentive and other types of funding if they hire an unemployed Nova Scotia.

Small or medium-sized employers, including businesses, not-for-profit organizations and social enterprises

SR&ED TAX CREDITS

STATISTICS

- Total number of SR&ED claims annually are roughly 21,500
- Canadian controlled private company (CCPC) earns over 40% of eligible SR&ED costs (with a few restrictions)

Additional Statistics

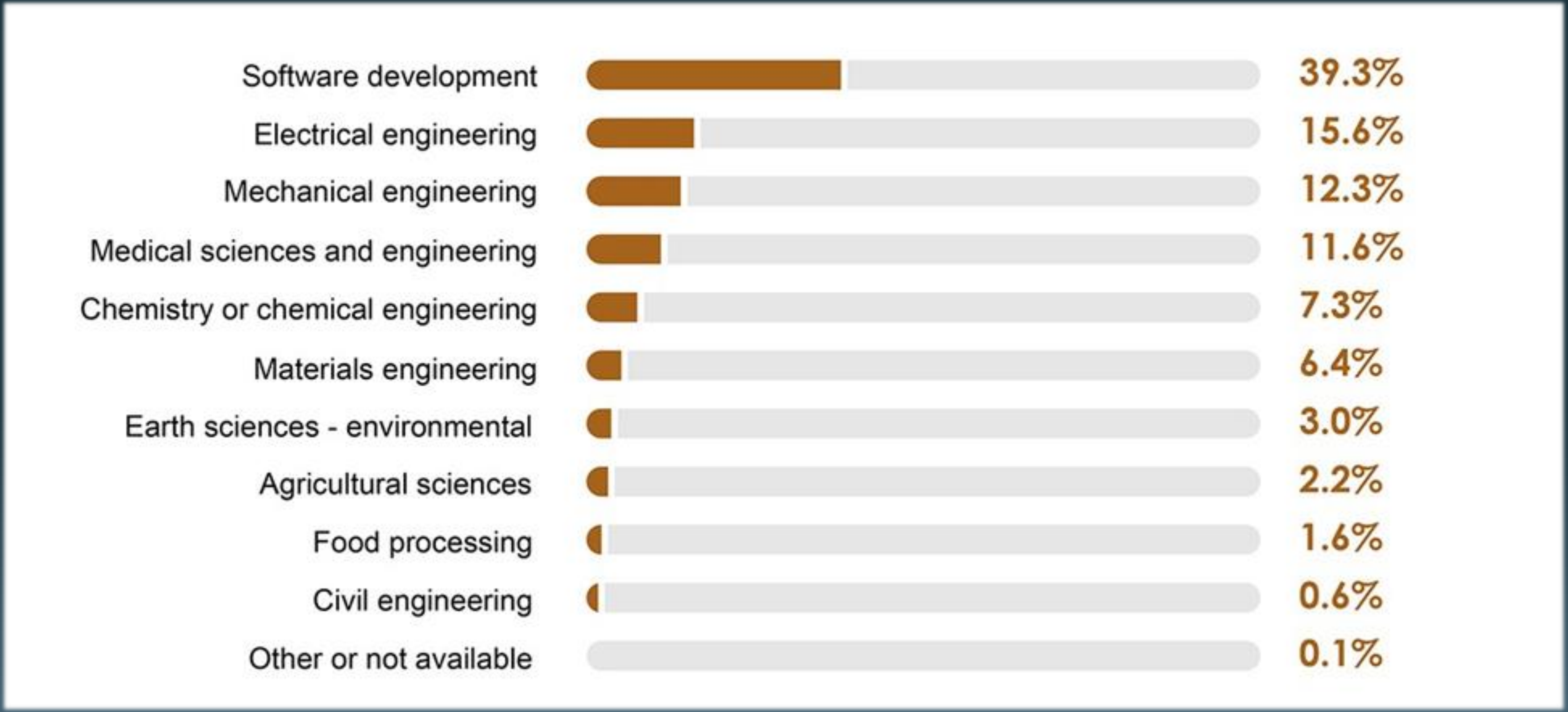
SME’s account for **97%** of all claims processed but receive in total 74% of ITC’s allowed for an average SME claim of $150,000.

The ITC’s allowed have increased from $3.1B to $4.1B over the past 2 years - an increase of **32%**!

However, the average number of claims filed has not increased substantially, therefore, the average size SME claim has **increased substantially** over the past 2 years.

Percentage of total ITCs by field of science

April 1, 2023 to March 31, 2024



Source: *www.canada.ca/en/revenue-agency/services/scientific-research-experimental-development-tax-incentive-program/annual-program-statistics*

SR&ED: ELIGIBLE COSTS AND TAX BENEFITS

Calculation of Federal and Ontario SR&ED Tax Credits

Allowable SR&ED expenditures	**Example SR&ED Spend**
Employee T4 Salary Amounts for SR&ED Labour	$100,000
55% SR&ED Proxy uplift only for T4 salary	$55,000
Canadian Contractor Amounts for SR&ED Work *(limited to 80% of contractor costs)*	$50,000
20% Reduction to SR&ED Contractor Spend	($10,000)
SR&ED Materials	$10,000
Total of Allowable SR&ED Expenditures	**$205,000**

Calculation of Federal and Ontario SR&ED Tax Credits

Company Structure	Foreign Owned Small Co	Foreign Parent Large Co	CCPC Small Co	CCPC Large Co
Aggregate Previous Year Taxable Income of the Associated Group *	<$500,000	>$800,000	<$500,000	>$800,000
Aggregate Previous Year Taxable Capital of the Associated Group **	<$10,000,000	>$50,000,000	<$10,000,000	>$50,000,000
SR&ED ITC's	**Foreign Owned Small Co**	**Foreign Parent Large Co**	**CCPC Small Co**	**CCPC Large Co**
Federal Refundable SR&ED ITC's 35% rate ***			$63,700	
Federal Non-Refundable SR&ED ITC's 15% rate	$27,300	$29,674		$29,674
Refundable Ontario Innovation Tax Credit 8%	$16,400		$16,400	
Non -Refundable Ontario Research and Development Tax Credit 3.5%	$6,601	$7,175	$6,601	$7,175
Total of Refundable SR&ED Credits	$16,400		$80,100	
Total of Non-Refundable SR&ED Credits	$33,901	$36,849	$6,601	$36,849
Total SR&ED Credits	**$50,301**	**$36,849**	**$86,701**	**$36,849**
Return on SR&ED Investment	**24.5%**	**17.9%**	**42.2%**	**17.9%**
	24 Cents on the SR&ED $	*17 Cents on the SR&ED $*	*42 Cents on the SR&ED $*	*17 Cents on the SR&ED $*

* Aggregate Previous Year Taxable Income: Includes the total of all taxable incomes (prior to any loss carry-backs applied) of all associated corporations (for tax purposes) for their last tax year, ending in the previous calendar year.

** Aggregate Previous Year Taxable Capital: Includes the total of all taxable capital of all associated corporations (for tax purposes) for their last tax year, ending in the previous calendar year.

*** In order to receive refundable provincial SR&ED Tax Credits, previous year taxable income in aggregate must be below $800,000 and previous year aggregate taxable capital in aggregate must be below $50,000,000.

SR&ED PROJECT ELIGIBILITY

SR&ED ELIGIBILITY CRITERIA

- Scientific OR Technological Advancement
- Scientific OR Technological Uncertainty
- Scientific OR Technological Content

ALL 3 CRITERIA MUST BE MET

Also, did you have a hypothesis?

  - Did you document your work?

SR&ED Indicator

- Are you developing, or improving upon, a **new product?**
- Are you creating, or improving upon, a **new process?**
- Are you developing **custom machinery?**
- Are you developing **prototype equipment?**
- Is the development subject to a **patent?**

Software R&D - Indicators

Defining **technological uncertainty** can be especially difficult in the field of software development. To assist with this, there are several indicators that are useful for demonstrating that activities were not **readily deducible** by competent professionals in the field:

- Having to abandon or delay functionality because of the **difficulty** in making it work
- Extensive periods of **iterative experimentation** (hypothesis, build, test, revise cycles) required to achieve functionality
- Significant **project rearchitecting** part-way through development
- Long periods of **performance optimization** (where known optimization methods are not effective)

Software R&D - Indicators

- Taking **several attempts** at perfecting a single function, even across multiple release versions (where the changes relate to the technological implementation rather than the user experience)
- Development which took existing tools (open source or otherwise) and used them in ways for which they were **not intended** or had not been used before
- Not knowing at project outset whether the functionality was achievable, for **technological reasons**
- Not knowing which development pathway was most likely to result in success and therefore needing to **experiment** with multiple pathways

Manufacturing SR&ED Indicators

- Exploring the **practical limitations** of new materials or unusual alloys (work hardens, brittleness, etc.) to achieve improved yields or efficiencies. Including the development of new or improved forming, welding, and machining techniques which could include designing new jigs, dies, fixtures and tooling.

- **Experimenting** with new formulations or ingredients that cause **unexpected failures** (shelf-life stability, fouling, decrease in yields, etc.). Designing experiments at kitchen or small batch levels as well as line trials to overcome issues or identify persistent problems. Combining formulation development with new technology on the processing side makes for much stronger eligibility and magnitude of eligible costs.

Manufacturing SR&ED Indicators

- **Automation** of existing manual or semi-manual processes or communication between two legacy systems that were not originally designed to interact. Experimentation can take place virtually through simulation or on-site with prototype systems or modifications to an existing line.

- Development of new devices or proprietary equipment. Challenges can come from uniqueness of the device/product produced, but **experimentation** would be needed on the physical functionality or firmware, PLC levels.

- Development of new drugs, compounds, or medical devices. Can claim early experiments as well as Phase IV testing prior to commercialisation.

Manufacturing SR&ED Indicators

- Improvements to structures or building systems (HVAC, plumbing, ventilation, etc.). Experimentation can be completed virtually via CAD modeling, prototype mock-ups, or modifications and monitoring on existing sites.

- **Collaborations** with Universities, colleges, institutes – good indicator that state of the art is being reached.

CRA REVIEW OF SR&ED CLAIMS

CRA Reviews

CRA reviews roughly **12-15%** of all claims submitted in a year, all others are accepted as filed; however, companies can expect some level of CRA review at least once every **3-5 years**. Also, moving away from the first-time claimant review without adjustments, now CRA may reduce claims of first-time claimant review.

MAXIMIZING THE SR&ED CLAIM FOR COMPANIES

Opportunity

- A **SR&ED system** will maximize the refund; minimize client staff time and provide CRA with support they require

- RDP has developed and continues to improve upon our **Innovation Connection Program (ICP)**. This is a customizable and flexible SR&ED identification and tracking program.

What To Avoid

- Social science including economics and business objectives
- Ensure you search online to ensure your solution is not public knowledge
- Uncertainties that are not technical, i.e. marketing, business (cost limitations), or how users will react

Maximizing the SR&ED claim

- Review list of **projects not claimed** (can smaller projects be grouped into larger projects?)
- Define projects by **technology** not product
- Review list of **eligible activities**
- Think about all costs to resolve a **technological uncertainty**

CONCESSIONAL LOANS

These loans are now **NOT** government assistance.

Examples include FedDev, ACOA and Western Diversification (i.e., non-interest-bearing repayable government loan). Previously, these loans had to be netted against SR&ED costs, now they don't; effective for any loans received after Jan 1, 2020.

CAPITAL INVESTMENT TAX CREDIT

RDP

15-25%

of the capital cost of qualified property.

Program Objective: **"a refundable corporate income tax credit claimed by an eligible corporation for qualified property acquired for use in Nova Scotia on or after January 1, 2015."**

FUNDING FOR:

- Capital Cost as defined in section 1.45 of the Canada Revenue Agency's (CRA) Capital Cost Allowance.

$15 million or more must be spent on "qualified property".

The maximum tax credit available for each approved project is $100 million across the duration of the project.

OPEN to taxable Canadian corporations, particularly those within the manufacturing and processing, farming, fishing, and logging sectors with a permanent establishment in Nova Scotia.

Summary Table of Investment Tax Credits:

Manufacturing, CCUS, Hydrogen, Electricity, Electrical Vehicle Supply Chain ITC

MANUFACTURING: WHO DOES IT APPLY TO?

- Certain machinery and equipment used for manufacturing or processing, such as industrial robots used to manufacture electric vehicles or vats used to process cathode active materials
- Certain tangible property attached to buildings and other structures used for manufacturing or processing or that is required for machinery or equipment, such as ventilation systems used to remove chemical fumes or specialized electrical wiring used to provide power to solar panel manufacturing equipment
- Certain property used for mineral extraction and processing, such as equipment used to crush rock containing copper ore or kilns used to calcinate nickel ore

MANUFACTURING: WHO DOES IT APPLY TO?

- Certain specialized tooling, such as moulds used to cast copper ingots at smelters or cutting parts of a machine used to cut solar cells
- Certain non-road vehicles and automotive equipment, such as electric vehicles designed for use in factories or hydrogen-powered vehicles designed for extracting rock from mine sites.

SUMMARY TABLE OF INVESTMENT CREDITS: MANUFACTURING

Investment Tax Credit	Green Focus	Rates	Refundable	Labour Requirements	Verification	Phase-In	Phase-Out
Manufacturing	Manufacturing and processing of solar, wind, water, geothermal, nuclear and zero-emission equipment	30%	Yes	No	Uncertain	Property that is acquired and becomes available for use on or after January 1, 2024	2032: 20% 2033: 10% 2034: 5% 2035: phased out

CARBON CAPTURE: WHO DOES IT APPLY TO?

Examples of companies would include:

- Cement
- Pulp and paper
- Oil and gas
- Large industrial emitters

SUMMARY TABLE OF INVESTMENT CREDITS: CCUS

Investment Tax Credit	Green Focus	Rates	Refundable	Labour Requirements	Verification	Phase-In	Phase-Out
CCUS	Carbon capture, utilization and storage	Capture: 60% (direct air capture) / 50% (other) Transportation: 37.5% Storage: 37.5% Use: 37.5%	Yes	Yes Finance intends to apply labour requirements (to be announced by Finance at a later date)	Yes – third party (technology to be validated by a qualified third party required to confirm that the process meets the minimum 60% mineralization requirement) Government approval no longer required	January 1, 2022	2031-2040: reduced by one half at each rate 2041: phased out

HYDROGEN: WHO DOES IT APPLY TO?

The tax credit will only apply to eligible equipment costs for projects that produce all, or substantially all, hydrogen through their production process.

All eligible equipment must be acquired and become available for use in Canada after 28 March 2023 in a qualified clean hydrogen project approved by NRCan.

Examples would be companies that build a clean hydrogen plant, e.g., **Linde**, **Dow**, and **Suncor**.

SUMMARY TABLE OF INVESTMENT CREDITS: HYDROGEN

Investment Tax Credit	Green Focus	Rates	Refundable	Labour Requirements	Verification	Phase-In	Phase-Out
Hydrogen	Hydrogen	40% for carbon intensity (CI) of less than 0.75 kg 25% for CI greater than or equal to 0.75 kg, but less than 2 kg 15% for CI greater than or equal to 2 kg, but less than 4 kg	Yes	Yes, to work performed on or after October 1, 2023 Failure to meet labour requirements results in a reduction by 10%	Yes – government (front-end engineering design study and initial project CI assessment)	Property that is acquired and becomes available for use on or after March 28, 2023	2034: reduced by one-half at each CI level 2035: phased out

ELECTRICITY: WHO DOES IT APPLY TO?

Both new projects and the refurbishment of existing facilities will be eligible.

This credit has not been written into law yet.

- Hydro-electric installations
- Equipment used to generate electricity from solar, wind or water energy
- Nuclear, geothermal, and waste biomass electricity generation equipment
- Fixed location energy storage property or pumped hydroelectric energy storage property, excluding any equipment that uses any fossil fuels in operation

ELECTRICITY: WHO DOES IT APPLY TO?

- Qualified natural gas energy equipment
- Qualified interprovincial transmission equipment
- Property that is incorporated into property described above as part of a refurbishment.

SUMMARY TABLE OF INVESTMENT CREDITS: ELECTRICITY

Investment Tax Credit	Green Focus	Rates	Refundable	Labour Requirements	Verification	Phase-In	Phase-Out
Electricity	Electricity generation, transmission and storage	15%	Yes	Yes, to work performed on or after October 1, 2023 Failure to meet labour requirements results in a reduction by 5%	Uncertain	Available as of the day of Budget 2024 (to be determined) for projects that did not begin construction before March 28, 2023	2035: phased out

THE ELECTRIC VEHICLE SUPPLY CHAIN ITC

The Electric Vehicle Supply Chain ITC would be a 10% ITC on the cost of buildings used in the following supply chain segments: (i) electric vehicle assembly; (ii) electric vehicle battery production; and (iii) cathode active material production. For a taxpayer's building costs to qualify for the Electric Vehicle Supply Chain ITC, the taxpayer (or, generally, a member of the taxpayer's related group) must claim the Clean Technology Manufacturing ITC in all three segments.

The EV Supply Chain ITC would apply to property that is acquired and becomes available for use on or after January 1, 2024. The credit would be reduced to 5% for 2033 and 2034 and would no longer be in effect after 2034.

It is anticipated that further design and implementation details will be provided in the federal government's 2024 Fall Economic Statement.

LABOUR REQUIREMENTS RELATED TO CERTAIN INVESTMENT TAX CREDITS

Budget 2023 contains specific labour requirements that are attached to several ITCs, including the clean technology ITC and the clean hydrogen tax credit. To achieve the maximum tax credit rates, businesses must:

- Pay a total compensation package that equates to the prevailing wage. The definition of prevailing wage would be based on union compensation (including benefits and pension contributions) from the most recent, widely applicable multi-employer collective bargaining agreement or corresponding project labour agreements (in the relevant jurisdiction).
- Ensure at least 10% of the tradesperson hours worked must be performed by registered apprentices in the Red Seal trades.

LABOUR REQUIREMENTS RELATED TO CERTAIN INVESTMENT TAX CREDITS

These labour requirements would apply in respect of workers engaged in project elements that are subsidized by the respective ITC, either as employees of the business or indirectly employed by a contractor or subcontractor.

These requirements would apply to workers whose duties are primarily manual or physical in nature, but not to workers who are primarily involved in administrative, clerical, supervisory or executive duties.

RDP Service Offering

- Full SR&ED service package includes **assisting** with any CRA review
- **Innovation Connection Program (ICP)** – implements a system to identify and track SR&ED work and costs
- **Grant writing** for our SR&ED clients; grants for R&D; hiring/training; export and business expansion
- Operate in Canada, US, UK, Ireland, Netherlands and Germany (have partners in most other European countries)

APPENDIX

SR&ED TAX CREDITS: 2025

2024	Eligible Type of Corporations	Credit Rate	Refundable	Non-Refundable
Federal	Canadian Controlled Private Corporations (CCPC)	35% of the first $3M* in eligible expenditures	x	
		15% on eligible expenditures in excess of $3M	x (40% max)	
	Other Corporations: *Public Corporations, Other Private Corporations & Foreign Owned*	15%		x
	Individuals	15%	x (40% max)	
Ontario	CCPC & Other Corporations - *Ontario Innovation Tax Credit (OITC)*	8% of the first $3M** in eligible expenditures	x	
	CCPC & Other Corporations - *Ontario Research and Development Tax Credit (ORDTC)*	3.50%		x
British Columbia	CCPC	10%***	x	
	Other Corporations	10%		x
Alberta	Corporations (SMEs)	8% **** (+ 12% enhanced payment)	x	

**The limit is progressively eliminated when the previous year's taxable capital used in Canada is between $10M and $50M. For CCPC's with taxation years ending after Mar 18, 2019, the use of the previous year taxable income threshold is removed.*

***Ceiling is progressively eliminated when taxable income is between $500,000 and $800,000 or taxable capital used in Canada is between $25M and $50M.*

****B.C. refundable tax credit for CCPC's is 10% of the lesser of eligible B.C. R&D expenditures and the federal $3 million expenditure limit. The credit is non-refundable beyond the $3 million limit.*

*****8% payment for eligible R&D spending carried out in Alberta, up to the corporation's base level of spending + an enhanced payment of up to 12% for a maximum total of 20% for eligible R&D spending that exceeds the corporation's base spending level. A firm's base level of spending is determined by calculating the corporation's average qualifying R&D spending over the previous 2 years.*

SR&ED TAX CREDITS: 2025

2024	Eligible Type of Corporations	Credit Rate	Refundable	Non-Refundable
Saskatchewan	CCPC	10%* (refundable) + 10% of excess (non-refundable). $1m limit on total tax credits claimed per year	x	
	Other corporations	10% of qualifying expenditures capped at $1 Million in Tax Credits		x
Manitoba	Corporations	15%**	x	x
Quebec	CCPC	• 30% of the first $3M in eligible expenditures*** • 14% of excess	x	
	Other Corporations & individuals	14%	x	
New Brunswick	Corporations	15%	x	
Nova Scotia	Corporations	15%	x	
Newfoundland & Labrador	Corporations & individuals	15%	x	
Yukon	Corporations & individuals	15%****	x	
Prince Edward Island	N/A	0%*****		

**CCPCs will be eligible for a 10% refundable R&D tax credit for the first $1 million annual qualifying expenditures made on or after April 1, 2017; Qualifying R&D expenditures in excess of the annual limit, as well as qualifying expenditures by other corporations are eligible for a 10% non-refundable R&D Tax Credit; The total refundable and non-refundable R&D Tax Credits that may be claimed by a corporation will be limited to $1 million per year.*

***Qualified expenditures continue to include eligible capital expenditures after 2013. Manitoba ITC's are fully refundable only for eligible Manitoba R&D activities carried out under an eligible contract with a qualifying research institute. 50% of ITC's are refundable for in-house R&D expenditures.*

****The $3M ceiling is reduced by the excluded expenditures threshold. Rate gradually decreases from 30% to 14% when world assets exceed $50M*

*****Yukon's rate is 20% on R&D expenditures made to the Yukon College.*

******PEI does not offer SR&ED Tax Credits*

Thanks for listening!

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Questions?

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Q & A

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FINANCIAL CONSIDERATIONS

RBC

Paul Malcolm – Relationship Manager, Supply Chain

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Financial Considerations

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RBC

How Will International Expansion Impact My Business?

Organizational Needs and Resources

- Human resources
- Physical space
- Equipment
- Software

Financial Impact

- Increased working capital
- Capital Expenditures
- Foreign Exchange

Planning Your Growth

Questions to consider:

- ? How do you plan to finance your growth?
- ? Have you considered your short-term and long-term growth?
- ? Do you need support to finance any upfront costs?

Value of a Financial Plan

- Balance Sheet
- Income Statement
- Cash Flow
- Projections

Value of a Financial Plan - Financial Statements

Balance Sheet

- Consists of Assets, Liabilities, and Equity
- Point in time assessment of financial health
- Items to consider:
  - Composition of your balance sheet (debt vs equity)
    - Deferred Revenue
  - How is cash moving in/out of your business?
  - Sources of cash

Income Statement

- Income earned, expenses incurred during a period
- Consists of Revenue, Cost of Goods Sold (COGS), Operating Expenses, Profit
- Items to consider that may need further clarification:
  - Large contract/ sale – is revenue growth sustainable?
  - One-time expenses – is the decline in profit temporary or permanent?
  - Is your business growth seasonal?

Cash Flow

- Consists of cash inflows and outflows over a given period of time.
- Forecasting cash flow helps:
  - Understand the timing of cash flows in and out of the business
  - Determine amount and timing of any additional funding requirements
  - Understand cash flow impact of business decisions

Value of a Financial Plan - Projections

Projections

- Realistic
- 3-5 years, monthly for 1st year
- Provide key assumptions
- What are biggest cash drivers and when are largest cash needs?
- If it doesn't work, what is Plan B?

Factors that Banks Consider

- Financial
  - Key financial metrics/ratios
- Management
  - Experience/Track record
  - Succession
  - Key person
- Industry and Competitive Risk
  - Market Position
  - Diversification (markets and customers)

Key Financial Metrics

- Sales growth
- Gross margin
- Operating expense %
- Cash flow
    - Debt Service Coverage
    - Current Ratio
- Leverage
    - Total Debt: Tangible Net Worth
    - Funded Debt: EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

Talking To Your Banker

- Be prepared
- Explain your business objectives and plans
- Clearly outline risks and how to mitigate
- Access to capital
- Be realistic

Case Study

- Company profile: manufacturer, forecasting to grow from $7MM to $9MM in revenue
- Needs: working capital financing for AR and Inventory to support forecast + PO financing
- Challenges: high leverage ratio, forward looking credit structure, high risk
- Solution: introductions to BDC Capital to raise $2MM of patient capital and improve the capital structure + $2MM line of credit with EDC guarantee, margined quarterly against AR and Inventory + $1MM pre-shipment cost financing with EDC guarantee
- Security: first ranking General Security Agreement on company assets, EDC guarantee 75%

Financial Ratio Calculation Examples

There are three key ratios used to assess financing requests

1 Current Ratio

Current Ratio (CR) is used to determine a company's ability to meet or pay its short-term obligations (due within the next 12 months). Also known as a Liquidity ratio.

- Calculation = $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$
- Higher Number = Lower risk
- Typical minimum: 1.10:1

2 Leverage

Measures the proportion of debt a company has used compared to equity, as a source of funding for its assets.

- Calculation = $\dfrac{\text{Total Liabilities}}{\text{Tangible Net Worth}}$
- **Total Liabilities**: Short Term Liabilities + Long Term Liabilities – Postponed Shareholder/Related Party Loans
- **Tangible Net Worth**: Retained Earnings+ Share Capital + Postponed Shareholder/Related Party Loans – Intangible Assets (Goodwill, Leaseholds, Due from etc.)
- Lower Number = Lower Risk

3 Debt Service Coverage

Debt Service Coverage (DSC) measures the amount of cash flow available to service debt

- Calculation = $\dfrac{\text{EBITDA-Cash Taxes-Corporate Distributions}}{\text{Scheduled Principal and Interest}}$
- **EBITDA**: Earnings (Net Income) BEFORE Interest, Taxes, Depreciation, Amortization. To Calculate: Net Income + All Interest Paid + Taxes Paid + Dep./ Amort. expense
- **Corporate Distributions**: Repayment or borrowing from related parties (shareholder, sister company) and dividend payments to shareholders
- **Scheduled Principal and Interest**: Scheduled principal payments on term loans and leases and the associated interest on all your credit facilities (leases, term loans and lines of credit)
- Higher Number = Lower risk (*If the number is less than 1, the business is unable to generate enough cash flow from its operations to cover its debt obligation).*
- Typical ratio: 1.25:1

1 Current Ratio – Calculation Example

$$\text{Current Ratio 2018} = \frac{1633}{1050} = 1.56$$

Suggests strong liquidity & ability to meet short term obligations through current assets

2 Leverage – Calculation Example

Total Liabilities = Total Liabilities – Postponed S/H Loan

= 1550 – 250

= 1300

Tangible Net Worth = Equity – Intangible Assets + Postponed S/H Loan

= 733 – 250 (Due From Affiliated Co) + 250

= 733

$$\text{Leverage Ratio 2018} = \frac{1300}{733} = 1.77$$

Balance Sheet

Fiscal Year	Dec 31 2018 *($000)*	Dec 31 2017 *($000)*
Assets		
Inventory	600	550
Account Receivable	1033	773
Total Current Assets	**1633**	**1323**
Due from Affiliated Co	250	200
Fixed Assets	400	350
Total Assets	**2283**	**1873**
Liabilities		
Accounts Payable	300	250
Operating Loan	600	550
Income Tax Payable	50	50
Current Portion of LTD	100	75
Total Current Liabilities	**1050**	**925**
Long Term Debt	250	200
Shareholders Loans (Postponed)	250	300
Total Debt	**1550**	**1425**
Retained Earnings	733	448
Total Equity	**733**	**448**
Total Liabilities and Equity	2283	1873

Income Statement

Fiscal Year	Dec 31 2018 *($000)*	Dec 31 2017 *($000)*
Sales	6500	6250
Cost of Goods	3250	3000
Gross Profit	**3250**	**3250**
Expenses		
Amortization	100	75
Interest	40	37
SG&A	2500	2300
Income Before Tax	**610**	**838**
Tax	75	90
Net Income	**535**	**748**
Dividend	**250**	**300**

3 Debt Service Ratio (DSC) – Calculation Example

EBITDA = Net Income + Interest + Taxes + Depreciation & Amortization

= 535 + 40 + 75 + 100

= 750

Cash Taxes = 75

Corp. Distributions

= Dividends (IS) + Changes to Shareholder Loans (BS)

= 250 + (250-200) - (250-300)

= 350

Scheduled P + I

= CPLTD (BS) + I (IS)

= 100 + 40

= 140

$$\text{DSC} = \frac{(750 - 75 - 350)}{140} = 2.32$$

RBC

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QUIZ

Financial Considerations

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CAPITAL MARKETS

RBC

Krista McCombe - Director

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RBC Capital Markets Foreign Exchange

Foreign Exchange (FX) Risk

FX risk arises as a result of transactions, assets, & liabilities that are denominated in a foreign currency.

As exchange rate fluctuates, working capital will vary accordingly, affecting the overall liquidity of a firm.

Types of FX Risks

1. **Economic Risk:**

   The long-term effect of changes in exchange rates

2. **Transaction Risk:**

   When a company records receivables, payables, & other cash flows denominated in foreign currency

Managing FX Risk

Steps for dealing with FX fluctuations:

1. Identify your exposure to foreign exchange risk
2. Quantify your exposure to foreign exchange risk
3. Create a foreign exchange exposure management strategy
4. Implement your strategy
5. Monitor & evaluate the performance of your strategy

Case Study
Foreign Exchange

Hedging

Scenario

You agree to sell USD forward, the forward locks you in to sell a specific amount of USD at a specified time in the future, at a pre-set rate of exchange.
The forward rate is simply the spot rate of exchange adjusted by the forward points for the period.
Forward points are derived from the interest rate differential between the two countries in the currency pair. If the base currency (i.e. USD) interest rates are higher, forward points will be negative and the forward rate will be priced at a discount.
Conversely, if the base currency (i.e. USD) interest rates are lower, forward points will be positive and the forward rate will be priced at a premium.
If the USD depreciates: you are fully protected against the adverse move.
If the USD appreciates: you have no participation in the favourable move

Example	
Company Sells:	USD 100,000
Company Buys:	CAD 142,900
Spot Rate:	1.4400
Forward Rate:	1.4290
Maturity Date:	6 months

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QUIZ

CAPITAL MARKETS/FOREIGN EXCHANGE

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Quiz

Foreign Exchange Quiz Question 1

You have received an export order in GBP to a UK based company, but your input costs will be mostly in CAD.

How do you mitigate the risk of adverse currency movements that could erode your profit margins?

TRADE ACCELERATOR PROGRAM

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TRADE FINANCE

RBC

Andrew Sinnott – Senior Trade Finance Specialst

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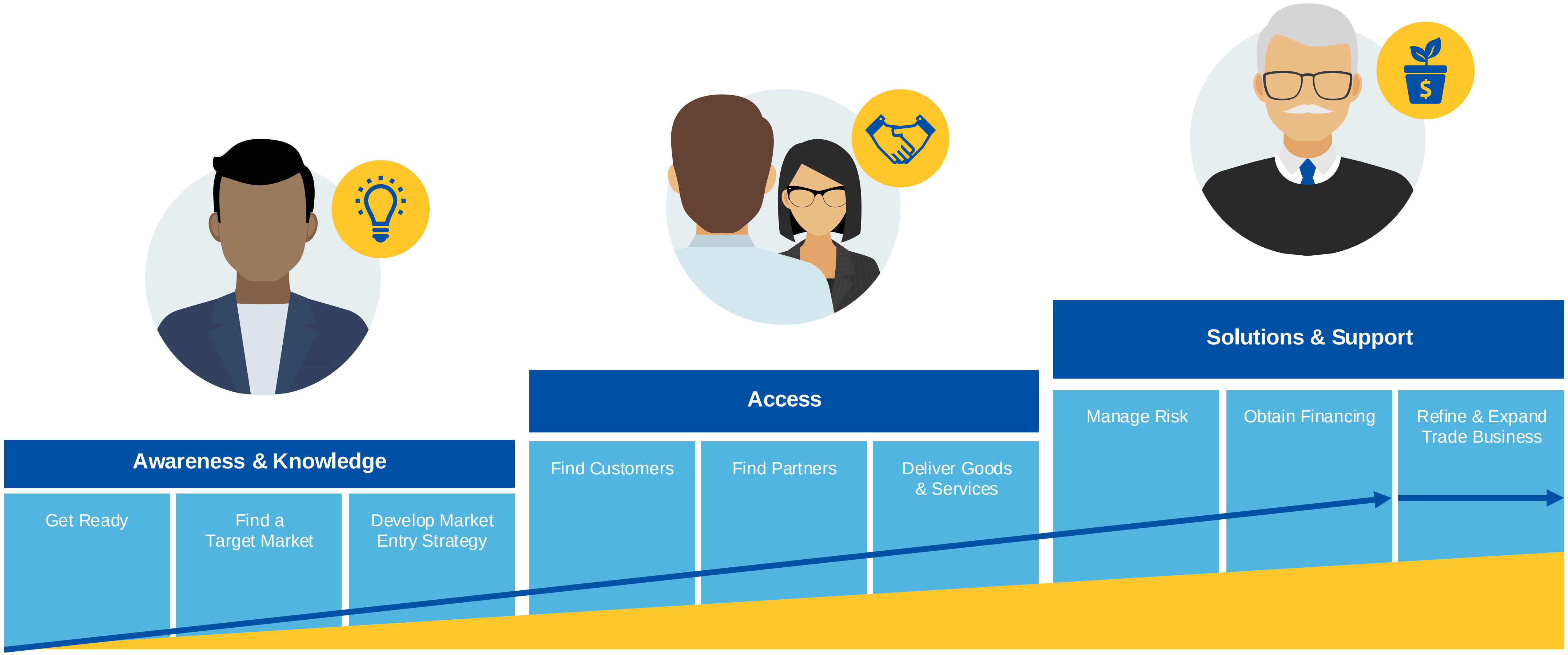
Exploring New Markets

CANADA'S TRADE ACCELERATOR PROGRAM

Doing Business Outside Canada



Trade Journey: Awareness & Knowledge

Awareness & Knowledge			Access	Solutions & Support
Get Ready	Find a Target Market	Develop Market Entry Strategy		

QUESTIONS

What is your 12-18 month growth plan?	Have you considered entering new markets?	Do you have a market entry strategy?

SOLUTIONS

National Trade Accelerator Program

Trade Journey: Access

Awareness & Knowledge	Access			Solutions & Support
	Find Customers	Find Partners	Deliver Goods & Services	

QUESTIONS

Where are the best opportunities for your product and/or service?	Do you need help looking for new customers and/or marketplaces?	Do you need to find new partners in offshore markets?	Are you aware of the rules and regulations in your target market?

SOLUTIONS

RBC Global Connect™

RBC Trade Finance

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RBC

Diversify safely and confidently with RBC Global Connect

RBC Global Connect

- Has the tools to assist our clients during this time of supply chain disruption when clients and business partners are negatively impacted.
- Clients have already noted its usefulness in sourcing potential new buyers and suppliers
- We can offer quick access to Trade Resources for clients to expand and benefit, plus exclusive access to the Trade Club for select clients. RBC Global Connect is a unique, differentiated solution to address our client's business needs during this pandemic.

Trade Resources

✓ **Enables and supports clients** in extending their reach and expanding their business networks.
✓ **Identify the best countries for your product or service** and find your next trading partner through our **global network of over 190,000 importers and exporters.**
✓ **Get the latest business and trade intelligence through our robust online library** – 100,000+ pages of information including shipping documentation, import/export information, and over 25,000 reports.

Trade Club

✓ Easily **connect with almost 20,000 like minded, vetted businesses** through the Trade Club Alliance of 11 global banks.
✓ Diversify and promote your buyer and supplier brand on **one platform to over 40 countries**.
✓ RBC is the only Canadian partner bank within the Trade Club Alliance, providing **exclusive access to international businesses.**

RBC Global Connect™ – A Platform Dedicated to Helping Businesses Go Global

Trade Journey: Solutions & Support

Awareness & Knowledge	Access	Solutions & Support		
		Manage Risk	Obtain Financing	Refine & Expand Trade Business

QUESTIONS

- How do you plan to finance your growth?
- Have you considered your short-term and long-term financing needs?
- How will you ensure that you get paid?
- How will you ensure that you receive what you paid for?

SOLUTIONS

EDC Solutions
(Trade Expansion Lending Program, Performance Security Guarantee, FX Guarantee, Credit Insurance)

Trade Finance Products

How to Manage Risk

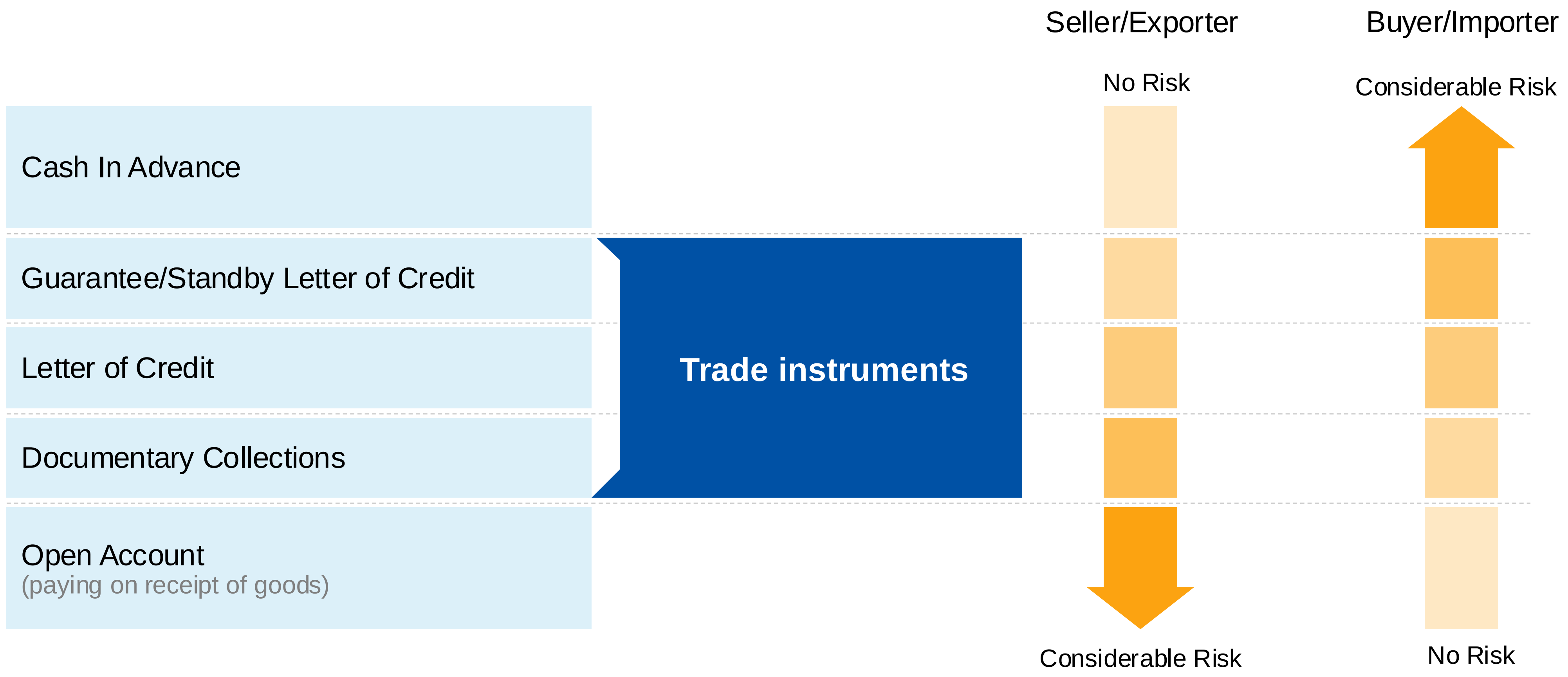
Risks that come with doing business internationally can be minimized with advance planning.

Some inherent risks:

- Payment risk
- Performance risk
- Documentary risk
- Foreign exchange risk

View risk as a challenge, not as a deterrent

Managing Payment Risk, Performance Risk and Documentary Risk



Case Study
Jane Software Inc. won a contract in the Middle East

Jane Software Inc. needs to:

- Provide a performance guarantee to project owner
- Minimize use of working capital as security to performance guarantee

Recommended Solution:

- Counter guarantee to a local bank for issuance of a local guarantee to project owner
- Apply for an Account Performance Security Guarantee program through EDC, which would provide 100% security to RBC

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WORKSHOP:
International Trade Finance

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WORKSHOP

INTERNATIONAL TRADE FINANCE – GROUP 1

You are negotiating a sale with a potential client abroad.

What are the financial tools you have at your disposal to finalize the transaction?

WORKSHOP

INTERNATIONAL TRADE FINANCE – GROUP 2

What are the key considerations your financial institution/investors will look for before approving the additional funding you are seeking?

WORKSHOP

INTERNATIONAL TRADE FINANCE – GROUP 3

What are the main risks companies face when they are expanding internationally?

How can you mitigate those risks?

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SURVEY – DAY 5

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International Finance

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Next Session's Topics

- Keys to a Successful Logistics Strategy
- Digital Marketing
- Brand Awareness
- Ecommerce
- Mentor Week process
- Export Plan Focus: Logistics /Supply Chain Management and Digital Marketing