

# Unlocking Growth: Going Global

Insights to help startups and scaleups take on the world

**Expanding into Canada and China**  
Addendum Report  
November 2021







Regional Focus - Canada:

# Why UK startups should consider expanding into Canada



Patrick Lor, managing partner at Panache Ventures, Canada's most active seed-stage venture capital fund, on why the Great White North is the perfect home for UK startups.



Canada is a great place for entrepreneurship for several reasons. The economics around the Canadian dollar are second to none, government programmes are designed to help startups grow, and the Canadian people are welcoming, particularly to those who want to help us build a better country. A huge bonus is that Canada is a gateway to the US, the largest consumer market and business market in the world. If we expect a Canadian company to do a million dollars revenue in Canada, our proximity to the US gives it a chance to do a 20x multiple.

So, what sectors are in demand in Canada? For that, we need to look at Canada's strengths. We have natural resources in abundance, so there's a lot of interest in resource development, whether that's agriculture, oil and gas, or clean technologies. We also have a highly subsidised education system, which makes Canada one of the best-educated countries in the world, and an attractive location for EdTech startups. Lastly, our subsidised healthcare system has led to a national database of healthcare outcomes. Startups often struggle to find data to run their AI algorithms against and this makes Canada extremely attractive to MedTech startups.





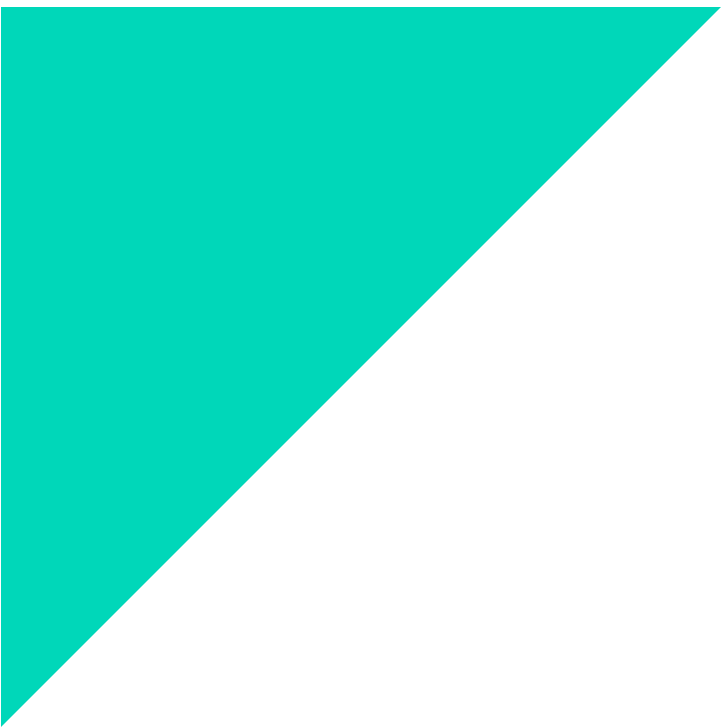


### **Advice for UK startups looking to expand into Canada**

Number one is to show the people of Canada, whether it's the government or investors, that you want to invest in and give back to Canada. Then, in a flip of the script, you say that most of your business is going to come from the US and the rest of the world. You understand that Canada is only 37 million people out of more than 7 billion. You're the hometown team that wants to launch into the rest of the world.

The second thing is to leverage Canadian intellect. Try to work out how best to take advantage of our government research programmes or our education programmes. We recently invested in a business that helps international students gain entry into Canadian and US universities and colleges. That's a \$4 billion company. So, perhaps that explains why there are so many extremely intelligent people with PhDs in AI, computer science and engineering that are available at a reasonable wage.

Lastly, understand that Canadians are some of the friendliest people in the world. Yes, that is certainly true on the street level and on the tourism level, but it also extends to our entrepreneurial ecosystem. Once Covid restrictions are lifted, get over to Canada, start going to events, start talking to people, and you'll find we are very open to conversations. After a month or two, you'll be introduced to everyone's network. It doesn't take much to become a well-known entity in any Canadian cities.





## Where can I find support?

You'll be able to seek support from three major areas. One is from the private sector and angel investors. All it really takes is a connection to a single successful entrepreneur, who will know at least five to ten investors they can connect you to.

Second is to leverage the hybrid government, private organisations that are in place to support startups. In Calgary, we have Platform, which is a civic partner that brings together many elements of its tech startup ecosystem. Startup Edmonton in Alberta is an entrepreneurial campus and community hub with much of the same vibe. Toronto has TechTO, which is now an online monthly meetup for around 400 people.

There's also pure government. We have organisations such as the NRC IRAP (National Research Council of Canada Industrial Research Assistance Program), which helps take research from labs to the marketplace. There are also tax incentives to the tune of

millions of dollars if you spend a lot of money and are working on something sufficiently difficult from a technical standpoint. NRC IRAP will also grant money to organisations, sometimes in the form of subsidies or an interest subsidy so they can hire people. They also have a lot of engineers who will advise on your project and business model.





# A final message

Hopefully, I've given a compelling argument for Canada as a great location for startups, but something founders often overlook is employee experience. The cost of living in Canadian cities is ultra-reasonable. You can hire the right people at the right price and give them a good quality of life. Healthcare, education, infrastructure, and schools are the best in the world. All of this together makes Canada one of the best places in the world to grow your startup.







Regional Focus - China:

# Expanding into China? Here's some practical advice



Colin Tan, is the Director of Operations at the Newcastle office of TusPark Holdings, a Chinese tech investor that also builds science parks — through which it helps startups enter the Chinese market. Here he shares pitfalls to avoid and practical advice for UK startups.



### **What advice do you have for startups entering the Chinese market?**

Localise your products, understand local tastes and if you're a B2B company, know what the supply chain is like in China. A broad understanding of the opportunities is not good enough. You need to zoom in to know what is required—and this will vary from city to city. Understand the local terrain, and by terrain, I mean government, legal, intellectual property. Don't assume that expansion to China is the same as expansion into other geographies, where sometimes you only need to consider one or two factors such as demand or competition. China must be approached multilaterally — and email doesn't always work, so get on WeChat now.

### **What's the best way to find a local partner?**

It never hurts to start with a Google search, but you should contact support associations like the Department of International Trade. They also produce events, and it can be worth contacting the teams behind those individually. Innovate UK, the UK's innovation

agency, and their Catapult network, also run trade missions. Finding a commercial partner of the right size, and the right person within the business can be very important in China: otherwise, there's a risk that you get lost, especially if it's a large company. Remember, Chinese companies have many divisions, especially the ones with a national reach, so it's best to zoom in and find the right links even before getting to work.

### **How do you choose a location?**

Generally, you want to be based near your partner. This is because SMEs and startups will find it useful to tap into their local resources and network. Another reason is that local governments will usually be able to give you some startup grants and support. Consider areas that are known for expertise in the sector you're interested in, for example, Yangtze River Delta is quite good for the life sciences, Wuhan is well known for electronics, and Shenzhen for manufacturing and digital.







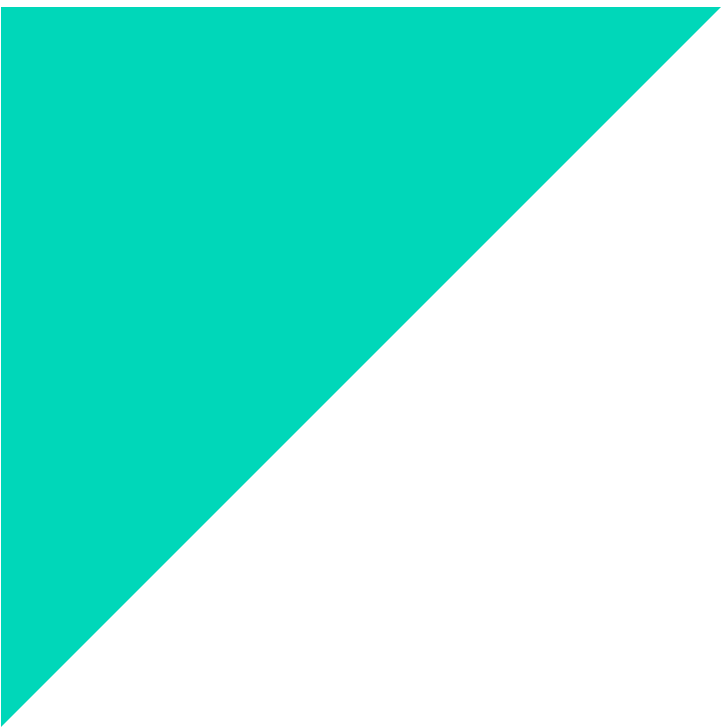
### **Do you have any advice on language and overcoming language barriers?**

Before you set off translate your key presentation, brochures, and your basic marketing materials. Make a speculative deck that explains what you would like to achieve with certain partners. The more prepared you are before you leave the UK, the better. Maybe hire a Chinese intern – there are many Chinese students in the UK, a record level this year. Find someone that knows the local terrain, speaks the local language and who is a good fit for your company. The best part of marketing is it can be done remotely. Start now.

### **What about intellectual property rights?**

This is one of the first things to do — get your product registered before you expand. Registering IP is also a good way of making your presence known in China. When speaking with even potential partners, try to speak as generally as possible. You must protect ‘know-how’ at all times. These are your trade secrets. Most importantly, don’t

assume that you’re protected in China. Get a Chinese IP consultancy or lawyer to take a good look at your portfolio and highlight any issues you’re likely to face.





# A final message

China can be both fast and slow at the same time. So, execution speed is very important. You've got to be what we call 'patiently impatient,' meaning, you keep on prodding, keep moving a process onwards, but do so politely, getting back to them every week or few weeks. The power of your prodding is often based on the power of your introducer. And keep multitasking – as I said earlier, your expansion into China is going to require a multi-lateral approach.







Regional Focus - China:

# China's green ambition a renewable energy opportunity for startups



Elizabeth Davies-Kumadiro, Head of Renewable Energy and Transmission in China at the Department for International Trade (DIT), on the opportunities for startups looking east.



### What are the key opportunities in renewables for UK startups looking at China?

Think about the UK and our offshore wind industry for a second. We have 10.4GW of offshore wind installed now which, until earlier this year, was the largest in the world. We need to reach 40GW of offshore wind by 2030 to reach net-zero carbon emissions by 2050. Boris Johnson wants to power every home in the UK using offshore wind. In UK terms, quadrupling our offshore wind capacity in less than a decade is a huge ambition. Then you come to China, a country of 1.4 billion people, which is trying to transition from a coal-heavy energy mix to a carbon-neutral energy mix by 2060. China's goal is to build 50-60GW of wind energy (including onshore and offshore wind) per year to reach 3000GW total capacity by 2060. The way in which China scales things, and must scale things, is so different from anywhere else in the world.

### Can you elaborate on the opportunities for UK startups?

I was recently in Shandong Province, Northeast China for the Yantai Low Carbon Conference. We met with two of the region's main manufacturers, Dajin and CIMC Raffles. Dajin makes steel towers for offshore wind turbines, supplying all the leading OEMs (Original Equipment Manufacturers) in Europe; CIMC Raffles makes the vessels and floatation devices needed to install and float turbines. The UK is great at innovative engineering and design, and there are many SMEs finding smart and creative ways to push industries forwards, from manufacturing remotely operated subsea vehicles to using digital twins (digital representations of a physical counterpart) to optimise wind farm performance. Working with large manufacturers creates opportunities for SMEs to have their products and designs used at scale.







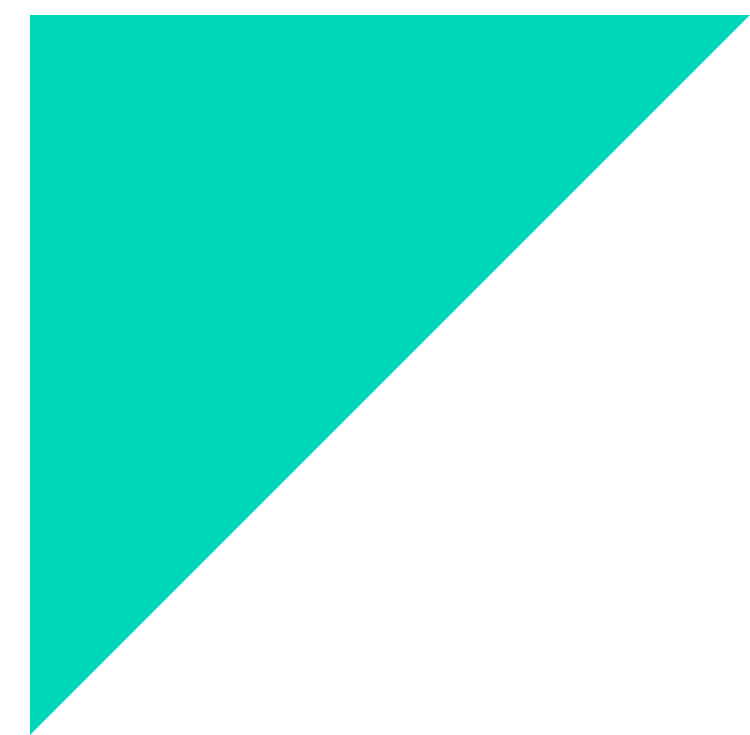
### **What about the opportunities in offshore wind and energy storage markets?**

China is about to cut its subsidy for offshore wind and the industry has been wondering how to deliver projects at grid parity (where the energy price is as cheap as other alternatives, like coal). The market is also exploring ways to onboard energy storage to support the integration of renewables into the grid. UK companies have the experience here. Offshore wind in the UK is cheap, around £40/kwh, and the companies that helped pull the price down have a chance to provide this expertise in the Chinese market.

### **Is China a complementary market for the UK's renewable energy industry?**

The UK has excellent research and development, legal, professional, financial services, project financing and development, front-end engineering and design, and operations and maintenance capabilities. China is excellent at manufacturing and construction and

is the world's leading global investor in infrastructure. There are many synergies here and little competition between our supply chains. I'm reminded of Wilson Peng, an Associate Director at Aon (the UK-headquartered insurance broker) who does a great presentation on the importance of insurance in the Chinese market. It usually starts with a video of a turbine collapsing or damage to a vessel (neither of which are uncommon in China) and he'll say something like: "We all want offshore wind projects to go well, but what happens when suddenly a turbine collapses or your cable breaks, what will you do? Here's how we can help." It's tongue-in-cheek but insurance infrastructure is second nature to UK projects in a way that it isn't in China. And there lies an opportunity.





## What are your practical tips for UK startups?

Do your market research, think through how you are managing your IP, and find the right Chinese partner. If you are looking for support or advice, reach out to the DIT and find your International Trade Advisor (ITA) on [great.gov.uk](https://www.gov.uk/great). In China, if you're looking at renewables, hit me up. The wider DIT team here covers everything from tech to fashion to hydrogen. International Trade Advisors can also introduce you to the Enhanced International Support Service (EISS), which provides support for companies with a turnover of more than £500k that are interested in a specific market and have a product or service to offer. If you're interested but your turnover is less than £500k, EISS may still be able to support you, so it's worth asking.





# A final message

As you can probably tell, I think renewables is the sector to work in right now. We have a once-in-a-generation opportunity to transition our energy industries from being extremely carbon intensive to being carbon neutral. China is the world's largest carbon emitter but also the largest investor into green energy. There is no solution to climate change without China. If you're a company that can bring some influence to bear—now that's really exciting.

