

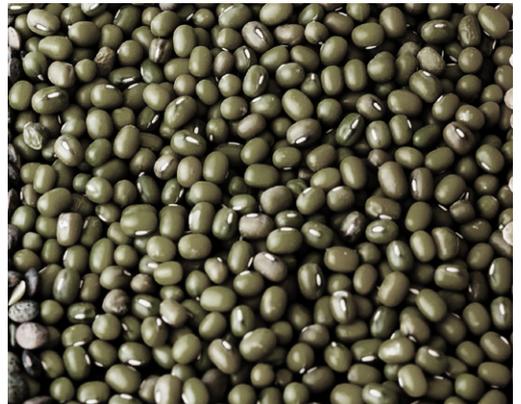


NATURAL  
PRODUCTS  
CANADA

# GAME CHANGERS



*Companies, products, and investors  
to watch in Canadian functional food,  
nutrition and natural health products*





# PRELUDE

This report is a reflection of the major innovation and investment activities in Canada related to functional food and ingredients, and natural health products.\*

It provides a showcase of some of the significant investments, companies, opportunities, and initiatives happening in Canada in roughly the 24-month period leading up to September 30, 2020.

It is not meant to be an exhaustive list of every Canadian company or transaction in these market segments. It is not meant to be a market report of Canadian consumer sales or behavior. It is not meant to be a recommendation of investment.

Instead it is designed to help the reader get a bird's eye view of the innovation and investment opportunities in these market segments, the potential for development, and the key resources and partners engaged in the space.

The report was compiled by Natural Products Canada, who is an active investor in the space as well as a central support resource for many emerging, high-potential brands through its various programs, services and network.

**Acknowledgements:** This report was made possible with significant research support from Kelley Fitzpatrick, and is based on publicly available data. Special thanks to Jean-Raphael Champagne, Grant Ferrier, Christian Gauvin, Najla Guthrie, Nick McCoy, Dean Mosca, and Ken Mountain for their expert reviews and input.

The authors of this report value your feedback, and welcome any comments or questions that may help direct future initiatives.

\* In this report, we include the following under natural health products (NHPs) as per Health Canada's guidelines: probiotics; herbal remedies; vitamins and minerals; homeopathic medicines; traditional medicines such as traditional Chinese medicines; other products like amino acids and essential fatty acids.

# INTRO

It should come as no surprise that Canada is gaining a reputation for its innovative natural health products (supplements and nutraceuticals), and functional food and ingredients. The country is blessed with 160 million acres of food-producing land and 243,042 kilometres of coastline – all ripe for harvesting nutritious food and ingredient. And at roughly one-tenth the size of the United States, Canada is home to a vibrant research and development scene, with over 246 universities, colleges and other research institutions. Top that with the very generous federal and provincial funding system for innovation, and you have the makings of a burgeoning nutrition powerhouse.

There are many examples of that potential throughout this report, including the exceptional promise in plant-based protein. In 2018, the federal government announced the \$700M 'supercluster' Protein Industries Canada (PIC), an industry-led research hub designed to help the country leverage its expansive growing capacity in lentils, peas and other plant-based protein. PIC has attracted significant industry partners, including Cargill, Dow AgroSciences and Maple Leaf Foods, all vying for their piece of the plant-based pie.



*While no one has a crystal ball, the track record of Canadian leadership seen in industry, investment and government through this (COVID-19) crisis continues to make it an important source of partners in the food and nutrition space.*

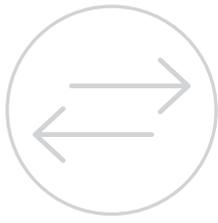


The growing interest in plant-based diets was evident in the investment scene as well. Maple Leaf, a global leader in the prepared food space, announced a \$310M plant-based protein facility in Indiana, augmenting its previous acquisitions in the category. While McCain Foods, known for their frozen french fries, invested in plant-based 'chicken nuggets' company, Nuggs.

Another major theme dominated the landscape: functional snacks and beverages. Transactions in these categories reflect other trends such as gut health, clean label, and sustainability. Millennia TEA attracted investors with its sustainably-sourced, category-creating fresh leaf tea, which boasts increased antioxidants. SmartSweets, the low-sugar candy maker, took consumers and investors by storm with their tasty but better for you take on sweets like gummy bears and peach rings. And Goli Nutrition transformed the apple cider vinegar market with the introduction of a gummie format in mid 2019, making them an Amazon sensation in the category.

Another head-turning move by the Canadian government was the legalization of cannabis in November of 2018, which cleared the path for the inclusion of cannabis in food, beverage and potentially NHPs at a later date. Creating a comprehensive, national approach and guidelines for the handling of cannabis in research facilities, it greatly increased the ability for innovation and product development in Canada. Despite the bumpy ride for investors after the flurry of IPO activity upon legalization of cannabis, a lot of R&D has begun, including a consortium of researchers around cannabinoids (the non psychotropic compound found in cannabis) creating strong potential for the development of evidence-based products in this category.

At the writing of this report, the global food industry is facing unprecedented challenges. The pandemic has increased consumer interest in the quality, safety and source of their food, not to mention its ability to help them stay healthy. While no one has a crystal ball, the track record of Canadian leadership seen in industry, investment and government through this crisis continues to make it an important source of partners in the food and nutrition space.



As consumers are increasingly equating nutrition with their health and wellbeing, Canada's innovators and investors are stepping up and finding interesting ways to get in the game. These are some of the Canadian companies that made news in the timeframe of this report with their investments, acquisitions, expansions, partnerships or other major transactions.

# MAJOR MOVES



Aspire, an insect-protein company, received over \$10M from Sustainable Development Technologies Canada to support the development of a 100,000 sq ft facility in London, Ontario.



The cannabis company acquired Pure Therapy, a natural health product company, to expand its e-commerce platform and product offering.



Canadian Canopy Growth acquired a majority stake in Biosteel Sports Nutrition. The move positions Canopy to leverage Biosteel's extensive product line and professional athlete network with the introduction of CBD-based sports drinks.



Botaneco is leading an \$8M project with Corteva Canada and Rowland Farms to commercialize a new processing technology that will yield a variety of new oil and protein products. The project received \$4M from Protein Industries Canada, and will use crops such as canola and hemp to introduce new high-protein ingredients into the global food, feed, and aquaculture markets.



The organic bone broth company, Borderland, produces health-promoting broths from chicken, beef and bison, and has a tasteless version for adding to smoothies and other beverages. The company raised \$150,000 from District Ventures Capital and participated in the District Ventures Accelerator.



(TSX:BU) Burcon released a series of financial and operational announcements as it positioned itself as a key player in Canada's plant-based protein arena. Notable announcements included its partnership with Nestlé to tailor proteins for use in Nestlé food and beverage applications; the launch of additional proprietary protein brands; and the formation of its joint venture company, Merit Foods.



Cove Kombucha quickly became a national favourite, and raised \$1.2M in a round led by CanAccord Genuity Wealth Management. The company says they plan to launch a CBD-infused product in the near future.



A new deal between Element Nutrition and others positions them to bring their lead product, Rejuvenate, to market. Rejuvenate is focused on prevention of muscle loss in people over the age of 50.



Evive raised \$3.85M to take their plant-based, frozen smoothie product to market across Canada and the US. The round was led by Renewal Funds.



ELXR Juice Lab partnered with hospitality incubator, LoveKind, who is providing investment capital required to launch a number of new retail locations in Canada over the next two years.



Developer of high-protein pancake mixes, Flourish raised \$150,000 from District Ventures Capital, and participated in the District Ventures Accelerator.



Freshcap Mushrooms, developers of a range of medicinal mushroom powders, raised an undisclosed amount by Giorgi Cos, a US mushroom company.

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Geyser announced a number of new initiatives that bode well for new cannabinoid product development, including a partnership with Grow Tech Labs to help pre-legalization cannabis companies develop plant-based medicinal products. They also received a research license for the development of new formulations of beverages and edibles.



*Canada has a ton of potential in the nutrition space. It has excellent research, generous funding programs, and a connected ecosystem of support players that result in innovative products and companies that present great business opportunities.*

**Dean Mosca**  
CEO, Cordra Inc.



Greenhouse  
Juice Co.

CBD-infused beverage play, the Greenhouse Juice Company's organic juices attracted \$9M in convertible debt financing from Canopy Rivers, an investment platform that works with Canopy Growth.

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Hempco, a provider of hemp-based foods, hemp fiber, and hemp nutraceuticals, was acquired by Aurora Cannabis. Aurora, which made its first investment in Hempco in 2017, completed the transaction to complete its fully vertically integrated cannabis and hemp play, including cannabidiol (CBD) and other cannabinoids from hemp.

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Joriki, a leading Canadian contract manufacturer of beverages and select food products with specialties in sports drinks and dairy alternatives, raised an undisclosed amount from TorQuest Partners, a Canadian equity fund.

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Libre Naturals, maker of allergen-free foods like school-friendly granola bars and plant-based protein bars, raised an undisclosed amount from S CAP, a NY-based impact investor.



The keto-friendly Love Good Fats bars raised \$5M from a group of undisclosed investors to expand the popular Canadian brand into the US, and a further \$10M from InvestEco and EDC.



Mondias and Tetra BioPharma acquired Lumiera, strengthening Mondias' ability to add natural health products and pain relief solutions in larger addressable markets.



The largest hemp food company in the world, Manitoba Harvest was acquired by cannabis giant, Tilray. Manitoba Harvest's food and CBD product capacity rounds out Tilray's portfolio of hemp and cannabis products.



A joint venture company evolved from Burcon and three veteran food industry executives, Merit Foods is building a 94,000 sq ft production facility in Winnipeg, where it will produce a portfolio of pea and canola protein ingredients. The federal government announced \$100M in a package of loans for the facility. Merit was also one of three partners on a project to commercialize proprietary pea protein and canola protein isolates that received \$19.1M from Protein Industries Canada.



This early stage company's new spin on tea has attracted some adoring customers as well as investors. The tea is made from fresh tea leaves, which are flash-frozen instead of dried, helping to maintain a much (5X) higher level of antioxidants than regular tea. The company is backed by solid advisors from the beverage industry, and was accepted into the FoodX accelerator, who participated in the round along with Natural Products Canada and some angels.



(CSE:MEAT) The plant-based meat alternative company listed on the Canadian Stock Exchange in June, 2020 following a name change and resource split with Navis Resources Corp.



Naturally Splendid, makers of a range of healthy, functional foods, closed a private placement of \$1.5 million.

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Natures Crops partnered with Blue Pacific Flavors of California. Natures Crops' plant-based omega-3 from ahiflower will be used to formulate beverages such as oat, soy and nut milks, and desserts such as yogurts and smoothies. The company also signed a deal with Dosecann, a subsidiary of cannabis giant, Auxley, for the use of their ahiflower oil in the development of cannabis health products.



(NASDAQ: NEPT) Neptune was very active in the hemp space. It signed a partnership with conservationist, Dr. Jane Goodall, to launch Forest Remedies, a line of ecofriendly, hemp-based personal care products. Neptune also closed a \$41M private placement and announced a \$16.5M hemp extraction deal with an undisclosed partner.

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## NOBLEGEN

Innovative ingredient company, NobleGen, raised \$25 million in a series B round led by Richardson Ventures Inc and BDC's Cleantech Practise. NobleGen makes nutritious and highly functional proteins, carbohydrates, and oils from a single microorganism called Euglena gracilis.

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Norquin, a vertically integrated supplier of quinoa, signed a deal with Ingredion for global marketing and distribution of the Saskatchewan-grown quinoa products.

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Looking to increase the nutritional value of medical food, Novagevity secured \$300,000 from the Atlantic Canada Opportunities Agency to launch its plant-based, clean label meal-replacement beverage, Sperry.



Outcast Foods (formerly Beyond Food): Outcast Foods' technology converts produce diverted from traditional retail channels (due to oddities in size, shape or other cosmetic issue) into high value powders for supplements, smoothies and other applications. The company raised \$4M over two rounds, which included The Cosine Group, LLC, and individual investors, including 16 professional athletes.



The non-alcoholic craft brewer took the growing 'sober curious' crowd by storm with its selection of craft beers. With multiple awards under its belt, and a growing retail presence, Partake was able to raise \$4M in a round led by CircleUp Growth Partners, which included Natural Products Canada.



Protein Industries Canada announced \$9.6M for Prairie Fava, a fava bean company, and Roquette the multinational food manufacturer. The duo will study various elements of plant protein extraction.



(TSX: RTI) Radiant announced several new initiatives, including filing a provisional patent on a cannabinoid-based antiviral; development of proprietary cannabinoid-based product formulations for both the medical and consumer markets; and an agreement with Shoppers Drug Mart subsidiary, Shoppers, for exclusive cannabinoid product formulation.



TPG Growth took a majority stake in SmartSweets, a company that makes versions of fan favourites in the candy world, with 87-92 percent less sugar.



A Canadian leader in plant-based food including burgers, sausages and fillets, Sol Cuisine raised \$10M in a round led by BDC's Industrial Innovation Venture Fund.



Canadian SunOpta closed a \$30M preferred equity financing with Oaktree Capital Management and Engaged Capital. SunOpta is a global food company focused on plant-based food, beverages and ingredients.



(CSE:VERY) The Very Good Food Co is only the second IPO of a plant-based meat company. Boasting product development, branded products and restaurants, the business went public in June 2020, after investment rounds featuring Eat Beyond Global Holdings.



A joint R&D initiative between start-up, ulivit and AGT Food and Ingredients was awarded \$11.3 million from Protein Industries Canada. The start-up and mega pulse processor will join forces to develop pea, lentil, and faba bean protein concentrates for meat alternatives, textured pulse protein, tempeh, pasta, dairy alternatives, and other consumer- and restaurant-facing products.



Global ingredients supplier, Ingredion, increased its manufacturing and production capabilities in Verdient Foods, Inc. This expands Ingredion's investment in Saskatchewan's plant-protein processing to \$185M. Construction on a new manufacturing facility to produce specialty pulse-based protein ingredients is expected to be complete in 2020. Verdient was launched in 2017 by Hollywood power couple James Cameron and Suzy Amis Cameron with the intent of creating the largest organic pea protein fractionation facility in North America.



(TSXV: VPI) The creators of an award-winning iron supplement, Vitality announced a \$500,000 private placement, and expanded its market presence with a line of new products for children.



Zak Organics are growers and producers of high-protein, green pea snacks. They raised \$150,000 from District Ventures Capital and participated in the District Ventures Accelerator.



Offering the benefits of CBD sourced from non-cannabis plants, the carbonated functional beverage, ZerodB launched four product SKUs in Canada and the US.



# KEY INVESTORS & INFLUENCERS

The following represents  
some of the investors  
and corporations making  
significant moves in the  
Canadian nutrition arena.



## **District Ventures Capital**

This \$70M fund invests up to \$7M in innovative consumer food and health goods. In addition to its connection to the District Ventures Accelerator, the fund benefits from the star power of its founder, Arlene Dickinson, a well-known investor, start-up champion, and personality on the CBC television show, Dragon's Den.

## **Eat Beyond Global Holdings (CSE:EATS)**

A recent addition to the investment scene, Eat Beyond Global launched in early 2020, stating it provides retail investors with the opportunity to participate in the growth of the alternative food sector.

### Loblaws

The largest grocer in Canada, and the name behind a range of other retail outlets including Real Canadian Superstore and Shoppers Drug Mart. Loblaws has been introducing plant-based products – both its private label brands and others like Beyond Meat – for the last few years in both its regular and Natural Foods sections. It also made waves in 2018 by adding its own President's Choice brand cricket powder to retail shelves.

### McCain Foods

McCain's investment and partnership with Nuggs in 2019 suggests the innovation-driven frozen food manufacturer has plant-based protein clearly in its sites.

### Roquette Freres SA

Roquette has invested \$500M to construct what has been described as the largest pea processing facility in the world. The Manitoba facility is scheduled to be operational late in 2020. It will be a key part of Roquette's ability to fulfill a recent agreement with Beyond Meat to supply pea protein for their plant-based meat products. Roquette is also involved in Protein Industries Canada, partnering with them and Prairie Fava in pea protein research.

### Maple Leaf

Traditionally one of the largest processed food names in Canada, Maple Leaf recently set a strong mandate to become the 'most sustainable protein company on the planet'. In 2018 it formed subsidiary, Greenleaf Foods, to build a portfolio of plant-based offerings, and invested in insect producer, Entomo Farms, protein powder supplier for Loblaws. In 2019 Maple Leaf announced its plans to build a US\$310M processing plant in Indiana doubling its capacity to make meat alternatives like its Lightlife Burger.

### Natural Products Canada (NPC)

The author of this report, NPC supports the development and commercialization of a broad range of innovative natural products, including those in the human nutrition space. Notable investments include: Partake Brewing, a non-alcoholic craft beer; Millennia TEA, a fresh-leaf tea company; Chinova Bioworks, developer of a natural preservative; and Mazza Innovation, creator of an advanced extraction technology. (See a full description of NPC at the end of this report.)

### Protein Industries Canada (PIC)

PIC is a \$700M cluster funded by the Canadian federal government to advance Canada's position as a plant-based protein powerhouse. PIC leverages its research funds to encourage major R&D and infrastructure development in the plant-protein growing region in the Canadian prairies.



# UNIQUELY CANADIAN

A couple notes to know (or re-learn) about Canada and some of the ways it differs from the US and other major food and nutrition producers:

## **REGULATORY**

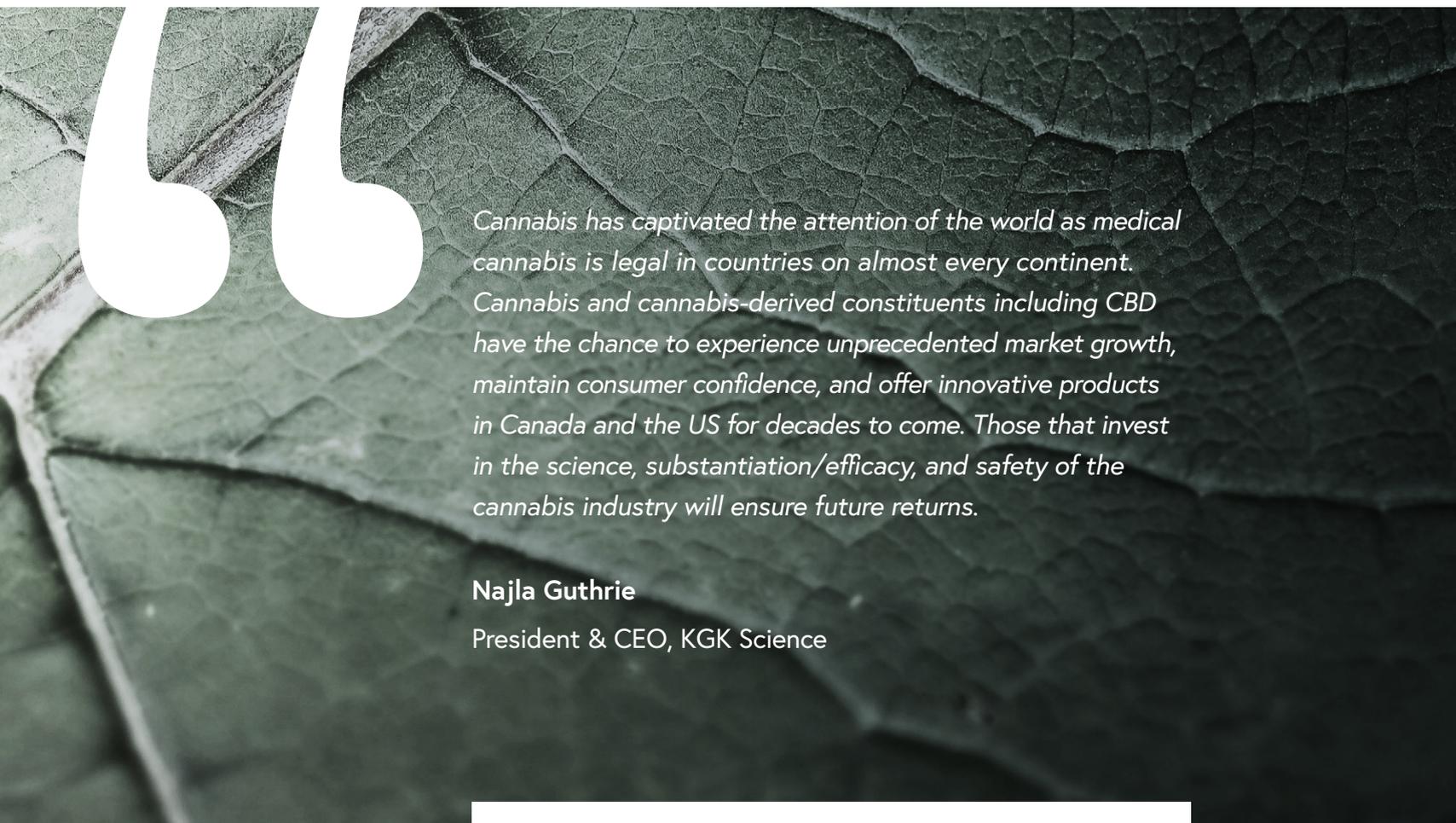
It would seem odd to discuss Canada's nutrition and natural health industry without mentioning the country's regulatory system. Love it or hate it, Canada has a reputation for one of the toughest regulatory systems in the world. The Canada Food Inspection Agency covers food and beverage issues, including feed for livestock and other animals, while Health Canada governs natural health products, which covers dietary health supplements (known as nutraceuticals in other jurisdictions).



The level of scrutiny that companies must undergo may seem onerous, but it translates into high quality, validated products that are known for their safety, efficacy and quality. More importantly, in many cases, getting the nod from Canadian regulatory systems can pave the way for other international regulators.

In November 2018, Canada also legalized the production and sale of cannabis, subject to a very detailed legal environment aiming at protecting Canadians against dangerous products. On a side note, industrial hemp remains subject to a different regulatory framework with different and somewhat less cumbersome rules.

In 2019, approximately one year after legalization, Canada also expanded the regulatory framework governing the production and sale of cannabis to new categories of products relevant to Canada's food and nutrition industries. Edible cannabis, cannabis extracts and cannabis topicals are now permitted subject to their own set of technical rules, except in certain provinces, which may still prohibit the sale of certain categories of cannabis products.



*Cannabis has captivated the attention of the world as medical cannabis is legal in countries on almost every continent. Cannabis and cannabis-derived constituents including CBD have the chance to experience unprecedented market growth, maintain consumer confidence, and offer innovative products in Canada and the US for decades to come. Those that invest in the science, substantiation/efficacy, and safety of the cannabis industry will ensure future returns.*

**Najla Guthrie**

President & CEO, KGK Science



*Canada is a globally recognized leader in promoting the health benefits of natural products due to a rigorous regulatory framework that looks at all critical aspects: the ingredients, the manufacturing process and the analytical compliance of finished products to deliver on the packaging claims.*

**Christian Gauvin**

Principal Associate | Associé Principal  
Zenica Consultation inc.

**RESEARCH CAPACITY**

Canada has a plethora of research institutes comprised of universities, colleges and government- and privately-funded research facilities. This has led to an abundance of research expertise and capacity in many of the areas that are essential to innovation in the nutrition space. Research centres, hubs and special efforts such as the national clinical trials network provide connectivity and efficiency. In addition, a generous collection of grants and funding programs provide incentive for industry-research partnerships, including many of the companies listed in this report.

**NATIONAL GROCERY AND DRUG STORE CHAINS**

Canada's young food and nutrition brands may not have the volume of potential customers that other countries do. But they benefit from a relatively cohesive and national distribution system. Products are relatively equally available across national grocery chains right across the country, providing a simple method of consumer testing and product refinement that plays well for further growth and export into other jurisdictions.

**HEALTH FOOD STORES**

Many innovative health and nutrition products find their start in Canada's independent health food stores. These stores are renowned for accepting new, start-up brands to introduce to their customers. This provides valuable feedback on formulation, packaging and brand that can help the entrepreneur fine-tune their product and demonstrate customer traction when they are ready to move into the larger grocery or drug store chains.



Natural Products Canada (NPC) is the driving force behind Canada's Natural Product Innovation Cluster—a strategic community of SMEs, research institutes, corporations, investors, government departments, and service providers who support the development and commercialization of naturally-derived products and technologies in health and life sciences, natural resources, agriculture and agri-food, and sustainable bioproducts.

We offer corporations and investors access to a pipeline of nearly 1000 innovations at various stages from across the country, as well as a network of expertise, facilities to support new ventures and partnerships.

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