



Tech Futures:
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By [Michael Volker](#)

Hot Companies: Ready to Rocket 2008

Last week, I attended Rocketbuilders' annual "Ready to Rocket" seminar at which Geoffrey Hansen presented his firm's picks for the top 25 infotech ventures in BC.

These companies are:

[90 Degree Software Inc](#)
[Actenum Corporation](#)
[AirG Inc](#)
[Antarctica Digital Marketing Ltd](#)
[Aquatic Informatics Inc](#)
[Bycast Inc](#)
[Colligo Networks Inc](#)
[Contigo Systems Inc](#)
[Digital Payment Technologies Corp](#)
[Elastic Path Software Inc](#)
[GaleForce Solutions Inc](#)
[GenoLogics Life Science Software Inc](#)
[hyperWALLET Systems Inc](#)
[InMotion Technology Inc](#)
[Layer 7 Technologies Inc](#)
[QuIC Financial Technologies Inc](#)
[RewardStream Inc](#)
[RFind Sytems Inc](#)
[Strangeloop Networks Inc](#)
[Sutus Inc](#)
[Tantalus Systems Corporation](#)
[TenDigits Software Inc](#)
[The Level Consulting Ltd](#)
[Vision Critical Communications Inc](#)
[Vivonet Inc](#)

More information on these companies is on the Ready to Rocket 2008 [website](#).

I'm always on the lookout for promising companies to invest in at the early stages. With that in mind, I thought I'd ask Geoff a few questions. These, and his answers follow:

How do companies qualify for the list?

To qualify for the 'Ready to Rocket 25' list, companies must be private, Canadian-controlled corporations and must have a fully commercialized technology along with customer traction with their products.

To be considered for the list, the company must be nominated by any of the following:

- by the company itself
- by an investor in the company
- by a company board member
- by a professional advisor (such as a lawyer or accountant)

How did you pick the top 25?

The selection committee is made up of a team of analysts on staff at Rocket Builders and involves consideration of the following factors:

- revenue growth momentum
- favorable market dynamics such as high annual growth rate for their product category
- intellectual property that provides a competitive advantage
- ability to leverage key vendor partnerships

Also, we are very careful to remove conflicts of interest from our selection process.

Some of the market trends we identified included a wide variety of emerging technologies and business models. Among the technologies being watched for 2008 include new innovations in some well established technology areas including wireless, payment, business intelligence and Voice-over-IP (VOIP). Business models such as Software-as-a-Service and Web 2.0 will continue to have more accelerated growth than more traditional IT business models. Many of the technologies that emerged 5 years ago have now become proven and affordable enough to make them suitable for new applications and broader adoption - in other words, innovative companies can now really capitalize on the revenue potential.

Why do you profile only private companies and not public companies?

Public companies tend to have strong publicity programs in place and therefore tend to be better known and are able to leverage public capital to accelerate growth. Young private companies tend to not have the resources for publicity and need to grow organically by leveraging market trends. This recognition list educates the public about those market trends and provides a means for private companies to enhance their public profile to attract employees, investors and potential business partners.

Do you see any future "RIM" (i.e. the Blackberry guys) type prospects in this batch?

Although the list is very predictive of growth in the coming year, predicting the sustainable growth and long term competitive advantage is difficult. Many of the companies have very unique and disruptive technology (as RIM had at their stage), but will need world-class marketing and executive leadership to sustain their growth trajectory. It will be fun to watch these companies evolve.

I note that these are InfoTech companies only. Do you have plans to feature other techs - bio, clean, energy, etc?

In past, the cluster of information technology companies provided a predictable market where many potential companies were easy to identify. As B.C.'s technology industry has evolved, we have had to expand our Rocket Recognition Program to include emerging companies in many technology sectors. The "Emerging Rockets" list features the BioTech/HealthTech, CleanTech, Wireless, New Media and Web 2.0 sectors in addition to infotech. The "Emerging" label is meant to signify earlier stages of growth and not

necessarily maximal revenue growth (yet). In future, each of these emerging sectors will have "Ready to Rocket" lists.

When taken as a group, what would be the total revenue and employment numbers?

The 2007 list collectively (meaning totals across all 25 companies) has over \$225 Million in revenue last year and employ over 2200 employees. This is a significant amount for 25 young companies.

Companies on the 2007 list far exceeded the performance of the IT sector as a whole (which grew at 5% to 6%) with a median revenue growth rate of 75% growth.

The twenty-five companies on the 2007 list had a median employment growth of 22% and these companies hired over 300 new employees collectively.

What are the biggest barriers and challenges facing these companies?

Since almost all of the companies depend on the United States for the majority of their revenue, the value of the U.S. Dollar and the health of the U.S. Economy are important considerations. However, many of the companies are fortunate that the market demand for their products far exceed any potential impact by these factors.

Given the global markets for technology, each of these companies will need to develop expertise on doing business in Europe and Asia. As they strengthen their skills for these overseas markets, they will lessen their dependency on the United States.

Do these companies focus mostly on business in Canada?

The market for British Columbia's technology exports is clearly global. When Ready to Rocket companies were asked about geographic markets that were driving their revenue growth:

- * 68% reported the United States as the region driving most of their growth
- * 20% reported Europe, the Middle East and Africa (EMEA) as the region driving most of their growth
- * 12% reported Canada as the region driving most of their growth

Do you see any IPO (Initial Public Offering) or RTO (Reverse Take Over) prospects or are most of these companies likely to get acquired in M&A transactions?

Many "Ready to Rocket" companies report increases in activity from Investment Bankers (wanting to fund the preliminary steps leading to IPO) and Large Vendors (wanting to acquire them). Most of the executives predict that being acquired is far more likely.

Last Question: How can investors get a piece of the action in these?

Most of the Ready to Rocket companies have institutional investors already, so they are not likely looking for small private investors. However, we released an Emerging Rockets list this year as well that features earlier stage technology ventures that are likely seeking Angel investors.
(check this out at www.readytorocket.com).

I asked Geoff this last question because when I first started writing these columns for T-Net almost 10 years ago (Sheesh, time flies!), my goal was to figure out how to get "retail" level investors enthused about investing in tech deals to help grow the tech sector

here in B.C.

Back then, I believed - and still do, in principle - that tech companies should be able to tap into the investment market comprised of those same speculative investors that backed mining and resource deals, i.e. those risking modest sums in many deals knowing that a few will hit pay dirt.

This would work well for those companies that are long shots and are not good bets for more conservative institutional venture capitalists. And, to a certain degree, this has worked well. A good example of that is **Absolute Software** (TRX:ABT). I mentioned Absolute in my May 3, 2002, column at which time it was trading at 40 cents, off more than 90% from its 2000 IPO price of \$5.00. The stock languished for many years but guess what? It was one of the stars of 2007 passing the \$20 mark. It also moved from the TSX Venture board to the TSX and is currently trading in the \$12 area.

Absolute was one of those long shots that paid off for patient investors - even those that bought in at \$5.00 and rode it down to 40 cents and back up. (In my 2002 article, I suggested that the IPO investors "average down" by buying more shares).

In recent years, though, being a public company has become less attractive due to the increased obsession that regulators have with regulations (figures, doesn't it?). This has driven costs up and made being public less attractive.

At the same time, another investing avenue that I've been touting is that of angel investing (see the [Vantec](#) website). The matchmaking between companies and angels has improved considerably and substantially more capital is being invested by private individuals than by institutional VCs (see my [May'07 column](#)).

This means that there are even fewer attractive companies in which smaller retail investors can invest. And these investors can *not* invest in the private companies such as those on the Ready to Rocket list. That's not because the companies don't want small investors. It's because it is technically illegal to do so (i.e. the general public cannot invest in a private company without meeting stringent securities regulations, e.g. being an "accredited investor").

Therefore, most investors are precluded from investing in companies such as those on the RocketBuilders list. The only other option I can think of is for investors who believe that there is a future in the advanced technology sectors is to invest in one of several public venture funds. While not being able to pick specific companies, investing in a basket of them might not be a bad idea. If and when some of them go public, you might still be able to buy in.

In the meantime, though, check out some of the recently created funds - these even offer a 30% refundable investment tax credit - such as the [BC Advantage Fund](#), [Discovery Capital](#) and [WUTIF Capital](#). WUTIF, for example, has invested in 5 of the companies on the list.

It's about "TIME"

Simon Fraser University's TIME Centre in downtown Vancouver recently expanded to SFU's Burnaby campus (Discovery Park) to offer incubator offices to entrepreneurs at both locations.

TIME is an acronym for **Technology, Innovation, Mentorship, and Entrepreneurship**. It's more than just an incubator. Complete, ready-to-go furnished offices with high speed internet, servers, telephone and fax, printing, etc. are only the beginning.

[New Ventures BC](#), the [Vancouver Enterprise Forum](#), the [VANTEC Angel Network](#) and [WUTIF Capital](#) all make TIME their home.

Within TIME there is also the TIME Business Centre (a little like an airport business lounge but without booze) that is open to technology entrepreneurs and business people to use as a drop-in downtown office facility. Need to plug-in? Make some calls? Do some work? Hold a meeting? There are some great facilities for holding your company's AGM. Why hang out at MacDonald's when you can work productively at the TIME Centre? Drop by and check it out! It is located at SFU's downtown campus at 515 West Hastings St. You won't believe the price!

Check www.sfu.ca/time for info.

Michael Volker, a technology entrepreneur, is Director of the University-[Industry Liaison Office](#) at **Simon Fraser University** and President of the [Western Universities Technology Innovation Fund](#). He is a founder of the [Vancouver Angel Network](#) and past Chair of the [Vancouver Enterprise Forum](#) and past Chair of the B.C. Advanced Systems Institute. He owns shares in many of the companies he writes about. Copyright, 2006.

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