

Big money show examines where big money goes (and while it used to be here it isn't any more)

By Gemma Richardson

Obtaining venture capital is much like winning the lottery for tech companies in Ottawa according to the hosts of The Big Money Show in the September podcast from OCRIRadio.com.

"The bottom line is, Ottawa is no longer attracting the same share of capital that it once did," says Jeffrey Dale, OCRI president and co-host of the show. "Yet there have never been more technology companies here and obviously a small minority of them are winning the venture capital lottery right now."

The current podcast of The Big Money Show focuses on where the big money is going and how Ottawa can position itself to attract more of it. The hour long show features interviews with Andrew Waitman, managing partner of Celtic House, Canada's largest venture capital company and Ted Anderson, president of Ventures West, one of the largest and most successful venture capital companies. Also featured are Dr.



Jeffrey Dale

Michael Caughey, OCRI's founding president, creator of the Technology Venture Dinners in the 90's, a renowned entrepreneur and now board member for several Ottawa tech companies, and Stephen Daze, executive director of OCRI's Entrepreneur Centre and organizer of the upcoming Ottawa Venture and Technology Summit.

The Big Money Show is also co-hosted by Nathan Rudyk, president of market2world Inc. Rudyk and Dale discuss the Ontario government's announcement that they will use \$90 million dollars to create a new fund in Ontario to invest in innovation. This was a welcome announcement, as Dale says the lack of pools of capital is causing a huge frustration locally and some companies that cannot get the needed capital will end up going elsewhere.

Andrew Waitman of Celtic House, which has over half a billion dollars under management, says he is optimistic about the Ottawa tech scene and feels there is a healthy environment for tech again. The problem as he sees it is that several VC's lost a lot of investor's money through the tech meltdown and made the region and Canada look bad to investors.

"We have to demonstrate that we've got companies that are successfully making money for investors," Waitman says. "If we can't build half a dozen hundred-million dollar companies after you've gotten three billion dollars in investment, and I'm just talking about Ottawa, then you've got a problem."

Ted Anderson of Ventures West had a fairly optimistic outlook on venture capital financing in Ottawa.

Q (Rudyk) — "What do you say to critics of the Canadian venture capital industry that claim it is impossible or next to impossible to raise money from our large institutions for Canadian innovation?"

A (Anderson) — "Well I'd say that Ventures West, Celtic House, Novacap and a number of others have indicated that that's wrong, but I think the bar is reasonably high and I think that experience is necessary in order to give people confidence that you're able to identify good investment opportunities, place the money intelligently and then manage those opportunities through to successful completion. It is a difficult asset class that

has been proven both here and in the United States over the past couple of years and I think that there have been some systemic issues that have caused the larger pension funds and the medium-sized pension funds to be a little bit shy of the asset class in Canada, but I'm hoping that over the next little while that we will be able to change that and there will be more dollars coming into venture capital.

Q (Rudyk) — Let's zone in on Ottawa. Tech employment and new company formation has rebounded strongly over the last few years, but venture capital investment for the six months of 2006 is running at about \$80 million, less than a third of last year's total. Yet in B.C., where Ventures West originated from, your growth is up. So in regards to attracting venture capital to Ottawa, what could we be doing better?"

A (Anderson) — I don't think you can be doing anything better. I think you are just seeing some natural ebb and flows here. If you wanted to really make it look ugly, you could go back to what was going on in 2000, where \$2 billion was coming into the Ottawa region. I think what you are seeing is a little bit of timing issues here. The companies here raised substantial money last year,



Andrew Waitman

they are working through that money and they haven't gone back out for their next rounds yet. I think that the investment community is being a lot more selective. I think that the entrepreneurial community is being a lot more selective in terms of looking at raising capital and how much they really need it. The order of the day to day is capital efficiency — don't raise too much money too quickly and make sure that you can generate decent returns on the money, so I don't think people are any longer looking at the opportunity to sell something for a billion dollars so they can afford to raise a \$100 million. They are probably

saying look, the reality of life is things are probably going to be sold for a \$100 or \$150 million dollars. So in order to generate decent returns on capital for our investors that are going in at an early stage and high risk, we can't raise \$100 million, we can only raise \$20 or \$30 million, and we've got to figure out how to survive on that and how to raise that capital over time and in an efficient way. So I think that is a lot of what you are seeing, but Ottawa is still a tremendous location for technology innovation in this country. It is one of the few places in this country where you really have all the pieces that you need to build great companies.

Anderson says Ventures West will be opening an office in Ottawa and will have a person on the ground hopefully in the New Year.

While venture capital investment may be down, there are more tech companies in Ottawa than ever. Dr. Michael Caughey says we should be encouraged that there is more bootstrapping of self-financed entrepreneurs.

"We know how exhilarating, but at times how irrational the tech bubble was and I think we are back to a very prudent period in the development of Ottawa," says Caughey. "It's going forward and yet it's doing it in a way that consolidates."

Caughey has a positive outlook on the future of Ottawa's development



Ted Anderson

and says more jobs will be created through the spirit of entrepreneurship. "It's still the best game in town," he says.

The final segment of the hour long podcast highlights the upcoming 10th Annual Ottawa Venture and Technology Summit. The Summit will run from Oct. 10 to 12 at the Hilton Lac-Leamy Hotel and Casino. Eighteen local companies will present to investors during the three day Summit and 42 different speakers are lined up, including a keynote speech from Terry Matthews. (For more on the technology venture summit, see article on page 1.)

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