

Young Entrepreneurs and Investors Meet at Canadian IT Financing Forum

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TORONTO (djc) - For the 34 startups who presented at the Canadian IT Financing Forum, the two-day event could be a deciding factor in their future - it might even determine whether they'll have a future.

At the Hilton Hotel in downtown Toronto, 34 young entrepreneurs were given 15 minutes to present their product to some of the largest investor companies in the world, including Bay Partners, BCE Capital, Edgestone Capital Partners and VenGrowth, who represent a total net worth of 70 billion potential dollars. Each of the young companies - most of them are two or three years old - has been selected by hand, provided they can demonstrate a new technology or enhanced service that can bring that precious revenue back, several times over.

Since the Forum's launch in 1996, the 350 presenting companies have raised capital and issued IPOs totalling over \$3 billion. But much of that was during the dot-com boom. Today, it's a bit more pageant-like, presenters hoping to catch the attention of extremely influential judges who happen to be wearing nicer outfits.

The event was low-key; the first day, 300 delegates were in attendance, with very few media people or curious hotel guests. Then again, it cost \$957.65 to register. A Greek buffet was served for lunch; It was tasty, but the souvlaki was a touch dry. The atmosphere was casual, presenters abandoning their booths for long stretches of time, dealing out business cards without even a hint of desperation.

Some industry analysts have been optimistic about the future of high-tech as of late,

despite increasing unemployment and stock market woes across the continent. However, on the second day of the conference, a report written in part by Macdonald & Associates (one half of the event's organizers) revealed that venture capitalists in Canada invested 60 per cent less this quarter than last year. It marks a seven-year low in VC investing, thanks to the war in Iraq and SARS scares. Moreover, venture capitalists themselves have had a tough time raising funds, getting new commitments of \$1 billion this quarter, compared to \$1.5 billion at the same time in 2002.

Investors will probably be playing it safe for the next while. This made clear by the "What's Hot in Technology" panel: the confirmed answer to that question was, don't even bother asking it. Nobody - including analysts, VCs, and the public sector - knows what kind of innovations will flourish in today's marketplace, and don't dare to guess.

Investors are looking for well-managed, reliable startups with proven track records of supplying a quantifiable "revenue uptick." If you can't validate your claims within 18 months of securing the investment, then give up, as one speaker intoned. Dumping money into a new killer app is a thing of the very recent past.

That said, speakers from companies like Greylock and Canaccord pointed to some technologies that might show promise: As 802.11 (better known as Wi-Fi) becomes more popular, companies will find new opportunities and new problems to solve. Videoconferencing technology could generally be improved, although nobody's

sure how to make it profitable. And there's still no such thing as too much bandwidth or too much computing power.

The biotechnology sector also has great potential, now that the Human Genome has been revealed. Indeed, medical technology accounted for the largest portion of 2003's first-quarter funding, according to the CVCA/MacDonald study.

However, this year's Forum concentrated mainly on Web services, chip technology for

mobile applications and enterprise software. Some of the more promising companies included Colligo, a Vancouver company providing a service to simplify connectivity between mobile devices, and Ottawa's Blueair Networks, who develops instant messaging applications for enterprises. Then there's SIGPRO, also from Ottawa, who develops a diverse chip for mobile devices by Nokia, Motorola, RIM and Palm.