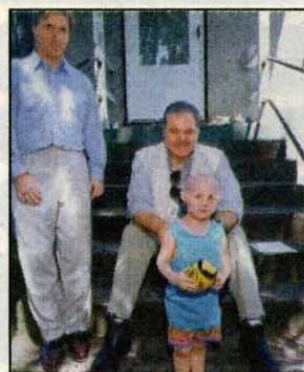


THE VANCOUVER

courier

WEST SIDE EDITION



Inside

**Sick kids' families
find home away
from home**
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The heads of five
Vancouver companies
explain how they found
their way onto *Profit*
100 magazine's list of
the fastest growing
Canadian businesses

Survival of the smartest

by Chris Miller
staff writer

Dr. Bill Hunter and a few partners founded Angiotech Pharmaceuticals eight years ago on an untested idea: they believed the cancer-fighting drug Paclitaxel could also combat circulatory ailments and diseases like multiple sclerosis.

Today, major drug companies and universities such as John Hopkins have hooked onto Angiotech's vision, conducting and paying for research into MS and psoriasis, as well as immune responses to stents, tiny wire cages that prevent arteries from collapsing after they've been cleared by surgery. As Hunter and his partners guessed, Paclitaxel—the world's best-selling cancer drug—helps counter auto-immune disorders and reduce scarring, which makes it useful for a variety of ailments.

"[The uses] are all related, as bizarre or as disparate as they may seem," said CEO Hunter, whose company

was recently included as one of five Vancouver firms in *Profit 100* magazine's list of the fastest growing Canadian businesses.

In the beginning, when Angiotech was no more than "a science project," no one could earn a living from the company; Hunter ran a medical practice on the side. The research remained a labour of love until 1996, when data indicated the company was onto something.

Angiotech responded by going on a hiring binge. It now employs 47 people in a building at UBC, and Hunter works in a roomy office that includes a mock pool table desk with pockets at the corners. A large box of red Twizzlers sits on a side table.

Hunter said he expects to see the fruits of the company's labours on the market soon. Angiotech's Paclitaxel-coated stents, its first product line, should be available in 12 to 18 months.

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Angiotech CEO
Dr. Bill Hunter turned
a science project
into a multi-million-
dollar pharmaceutical
company

Filling niches led to phenomenal growth

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Multiple sclerosis studies at St. Michael's Hospital in Toronto have also been encouraging—in small test groups, Paclitaxel has stopped the disease in its tracks and in some cases reduced the number and size of MS-related brain lesions. Angiotech is now preparing for a larger, phase-two study.

The company's last two years have been its strongest and its next two will dwarf them, said Hunter. "We have five or six things going on," he said. "I'm not going to sit here and tell you all of them are going to work, but the odds are low that none of them will."

LIKE ANGIOTECH, THE LOCAL companies cited by *Profit 100* took off after resetting their courses and finding profitable niches. Now they're involved in what Rod Campbell of Intrinsyc Software refers to as "velocity management"—running the company smoothly while it grows rapidly.

Doubling, tripling or quadrupling employee numbers creates challenges that have nothing to do with product quality. They include switching from bungalow offices to downtown skyscrapers, buying new computers, and creating new human resources, marketing and communications departments.

If a company's focus slips because of these distractions, so does its profit margin. That hasn't happened to the big five in Vancouver so far.

Besides Angiotech, these are: Intrinsyc Software (No. 58), which links microchipped equipment to the Internet; Selkirk Financial Technologies (No. 40), a treasury software innovator; Peace Arch Entertainment Group (No. 26), which produces big-market TV series; and Q Media Services (No. 18), which presides over a computer supply empire.

Profit 100 rated the companies according to one criterion—percentage of revenue growth from 1994 to 1999. Overall, B.C. had 13 companies on the *Profit 100* list, including three in Richmond and one in Burnaby. Richmond's Sierra Wireless Inc., which designs wireless modems, led the pack and finished No. 7 in Canada.

Three maintain healthy profit margins; two, Angiotech and Intrinsyc, lost money last year. The former lost \$10 million conducting costly medical research, but could begin showing profits of \$500 million if its product lines pan out. Its stock market performance attests to its success—Angiotech shares increased from \$12.75 last year to more than \$60.

Intrinsyc, which mainly concentrated on research and development until last year, faces a similar turnaround if equipment manufacturing giants continue to buy into its creative hardware solutions.

Here's a closer look at the city's fastest-growing companies:

Q Media Services Corp.

ROBERT LAWRIE OF Q MEDIA Services seized the day with a well-timed stock offering several years ago.

In 1993, he took his small company public on the Vancouver stock exchange, and earning enough money—\$2 million—to begin a West Coast campaign of conquest. Since 1994, Q Media has gobbled up eight small, strategically positioned computer supply companies, increasing its revenue to \$100 million. Not bad for a company Lawrie started in his dad's garage in Kerrisdale.

"The company grew marginally [before 1993], but then the question was, 'Do we keep doing this or do we try to do something significant?'" said Lawrie.

For a long time, Q Media was a small-time producer of computer diskettes, but by the early 1990s, Lawrie saw that the market wouldn't hold. Customers were demanding new computer frills—notably CD ROMs—requiring expensive new manufacturing equipment.

Beginning with Cermoss, a company in San José, Calif., Q Media began buying American firms at bargain-basement prices and updating their equipment.

Now positioned in high-tech centres like Redmond, Wash., Irvine, Calif., and Austin, Tex., Q Media attracts world-class high-tech clients such as Microsoft, Toshiba, Dell Computers, Telus and Hewlett-Packard.

Q Media provides what Lawrie calls "supply chain management," looking after marketing, packaging, CD-ROM production and shipping. In short, everything *but* the technology.

Lawrie expects his firm to follow clients as they move east of the Mississippi to meet demand buoyed by Internet shopping. Q Media revenue could double to \$200 million next year and hit \$350 million within the next three to four years, said Lawrie.

At home, the firm's office moved from an old East Vancouver warehouse to a larger, better-equipped building in Richmond last August. A developer was constructing a building on Maycrest Way and was willing to customize it for long-term tenants.

"We looked at staying in Vancouver and an opportunity came to us," said Lawrie, a Kitsilano resident.

Peace Arch Entertainment Group Inc.

HOW MUCH DIFFERENCE DOES a studio make? A huge one, according to Peace Arch Entertainment Inc. CEO Cameron White, whose company found an ideal building near False Creek five years ago. Since then, Peace Arch has been transformed from a small company that dabbled in TV shows and films into a major series producer responsible for *The X-Files*-ish *First Wave* and a Western called *Dead Man's Gun*.

"We had a little bit of a 'Build it and they will come' mentality," said White.

Soon after converting the space, Peace Arch produced a couple of TV movies—*Prisoner of Zenda Inc.* and *Ronnie and Julie*, a Romeo and Juliet tale. The American cable channel Showtime liked the results and began collaborating with Peace Arch on *Dead Man's Gun*, which was shot on a ranch in Maple Ridge and in the studio.

After establishing itself in the TV industry, Peace Arch began forging overseas links. The company bucked the accepted production trend of finding American markets first by selling *First Wave* both to the Moses Znaimer-backed CHUM group and a company in the United Kingdom. Peace Arch is now working on co-productions with British partners.

Lorenzo Lamas stars in one, a special-effects laden action/adventure series called *The Immortal*, which is already pre-sold in Germany and France. White calls it a mixture of *Highlander* and *The Matrix*.

Backed by Global TV, Peace Arch has also started producing a sitcom called *Big Sound*. The half-hour show, set in a Canadian music talent agency, begins airing nationally this fall.

It's all a far cry from the early 1990s, when Peace Arch's meal ticket was industrial training films, commercials and safety videos for organizations like B.C. Hydro and VanCity. The company now uses a subsidiary called The Eyes Multimedia to look after smaller projects.

White sees smooth sailing ahead as Peace Arch embarks on more TV projects and forges international links with the EEC. The company may be involved in feature films, too, though White said Peace Arch had bad experiences with U.S. movie studios a decade ago.

"Even if you have a hit, the profits don't always filter back to the producers," he said. "They get lost in the distribution channels."

Peace Arch is booming because of exchange rates and a favourable tax-credit system. Neither factor

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From good to great in five years

	1994 Revenue	1999 Revenue	Increase
Angiotech Pharmaceuticals Inc.	\$102,600	\$4,469,487	4356%
Q Media Services Corp.	\$2,098,779	\$101,843,000	4852%
Peace Arch Entertainment Group Inc.	\$1,519,191	\$51,547,000	3393%
Selkirk Financial Technologies Inc.	\$239,888	\$5,690,920	2377%
Intrinsyc Software Inc.	\$135,744	\$2,250,978	1658%

Vancouver taxes cause firms to move

Continued from page 4

appears likely to change, at least in the short-term.

"[Vancouver] is the best place in the world right now to produce television," White said.

Selkirk Financial Technologies Inc.

SELKIRK FINANCIAL TECHNOLOGIES might never have spotted its market niche had it not been for B.C. Hydro.

The crown corporation hired Selkirk—a consulting firm known as J.W. Suttie and Associates at the time—to help manage its finances in 1992. The firm searched for software to help Hydro track its assets and realized none existed.

Partners James Suttie and Lyndon Harvey saw flashing dollar signs and began to transform their company accordingly. Over the next two years, the firm did regular consulting work during the day and developed software at night. The result was Treasury Manager, Selkirk's flagship product.

By accurately recording payments and transfers, Treasury Manager helps businesses determine how much cash they need for transactions and how much they have sitting idle in accounts. Treasury Manager has helped businesses discover up to \$6 million in untapped resources, which they then invest.

Selkirk grew slowly at first, but took off after landing Starbucks as a client about five years ago. Now the firm works with huge corporations, including IBM, Chevron, CN, Labatt and Molson, and is earning praise from major financial institutions. Selkirk was a finalist in the Arthur Andersen accounting firm's list of the 50 best-managed companies in Canada.

"In high-technology industries, you have to be growing rapidly, and when you combine that growth with [good management], that's when things get interesting," Harvey said.

The company is working on a new Internet-based financial management program expected to be available in the next eight months.

In the meantime, Treasury Manager will continue to fuel Selkirk's growth, as the company actively seeks clients with assets in the hundreds of millions of dollars. Harvey said the North American market remains 80 per cent untouched—five years ago, most companies hadn't even heard of treasury management software.

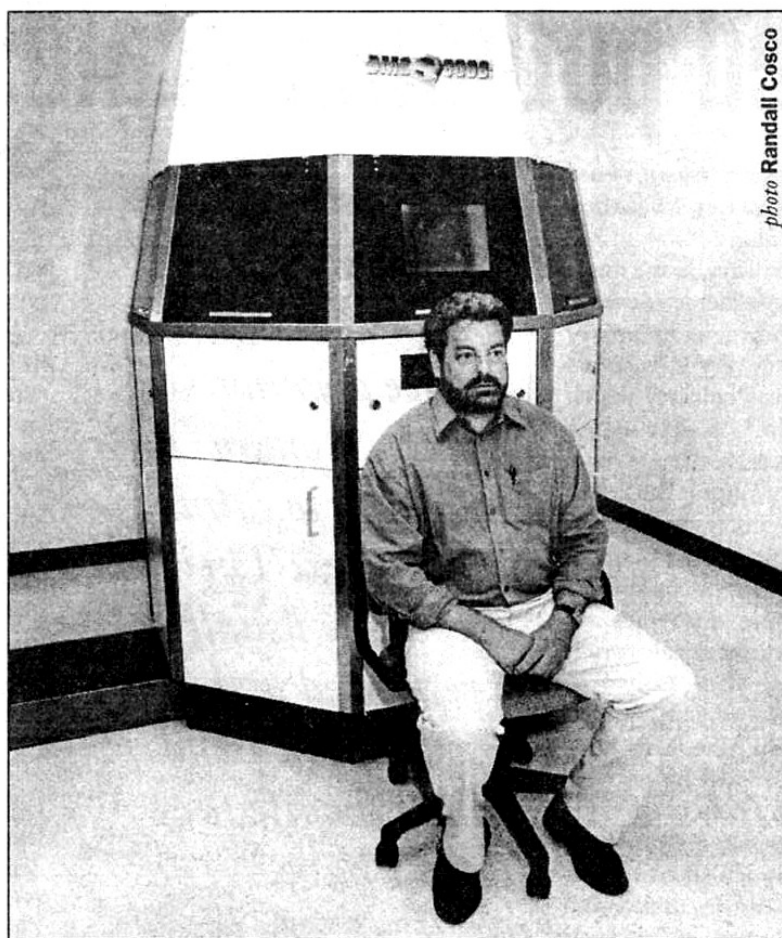
Harvey said Selkirk offers better products, better service and a more focused approach than its competitors, larger companies with several product lines.

"Those firms have been around in the market far longer than we have and it's great to see the amount of success we've had against them," Harvey said.

Intrinsyc Software Inc.

CONNECTING HEATING, VENTILATION systems to the Internet isn't glamorous, but it could pay off for Intrinsyc Software.

The wired HVAC systems—produced by the German multinational Siemens—will allow building managers around the world to correct minor heating, ventilation or air conditioning problems



Q Media CEO Robert Lawrie found success by giving up diskettes.

without sending a technician.

Intrinsyc connects embedded devices—any equipment that uses microprocessors—to the Internet so they can be controlled by computer.

Intrinsyc completed a prototype on short notice this spring and Siemens has since invited company reps back to discuss 70,000 to 80,000 other products to which Intrinsyc technology could apply.

The market for embedded devices is huge. For every 50 microprocessors produced, only one is built into a personal computer, said chief financial officer Rod Campbell. The rest are found inside cell phones, personal organizers, digital TVs, vehicles and factory manufacturing devices.

Intrinsyc predicted the embedded device boom early on, but didn't twig to its software possibilities until 1996, when Microsoft came out with a small-format Windows program. About a year later, the company began developing ways of accessing embedded devices by Internet.

Now the company's client list includes dozens of Fortune 500 manufacturers, including Eaton Corp., Mitsubishi and General Electric.

Campbell said the technology fits well with industries that have multiple product lines. If Intrinsyc's first projects go well, he said, companies will invite it back to shore up other lines.

Recently, Intrinsyc has been hiring at least an engineer a week to keep pace with new business. The company consisted of two people in 1994 and now has 45 full-time employees and 15 to 16 part-time contract workers.

Over the last year, Campbell said the company has gone from being a "technology incubator" to a full-fledged enterprise with marketing and communications departments. "It's pretty impressive that some of the biggest companies in the world beat a path to our door," he said.

The Final Word

YOUNG, GROWING COMPANIES like Intrinsyc need to avoid financing pitfalls, as one company

on last year's list that didn't make the cut this year can attest.

The True North Clothing Company Inc. (No. 100 in 1998) grew 854 per cent in five years, then went bankrupt in February this year after a financing scheme went bad.

"We were doing okay, but we were growing faster than we could keep up with," said former president and CEO Robert Arthurs.

Seeking around \$200,000 for an embroidery machine and 20 new sewing machines—equipment that would help True North Clothing meet burgeoning orders from the U.S.—he found a private investor to help cover costs. Arthurs feels the investor took advantage of his company financially. The two butted heads and before long, the company fell from grace.

By rebuying all True North's equipment at the bankruptcy auction, Arthurs was able to keep the business running. Finally, in May, a local company called Kelly Sportswear bought out True North, and Arthurs was hired as sales manager for the line. Still, the company's downturn forced him into personal bankruptcy. Now he works for a government youth entrepreneur program, teaching youngsters about things to do—and not to do—when starting in business.

Arthurs said many small companies are in the same boat, needing an influx of money to cover capital expenses. But borrowing money can be dangerous, as his case illustrates.

Bad investments aren't the only financial challenges facing growing enterprises. All five businesses say they're happy in Vancouver, but, with the exception of Peace Arch and Q Media, they complain Canadian taxes could hurt their ability to hire top U.S. minds. Angiotech, whose building lease at UBC expires at the end of 2001, is considering a move to the U.S.

"This is like running a professional sports team," said CEO Bill Hunter. "If you have the best talent, you'll win. If you have the lousiest talent, you'll lose."