

-- Speaker 0 00:01 <inaudible>.

Speaker 1 00:03 Welcome to the trade security podcast. Welcome to the trade security podcast, the podcast where we provide Canadian businesses with the information and ideas to help them trade and grow securely. I'm Janet Eastman. Over the last number of years, Canadian entrepreneurs have been challenged to find the necessary capital to fund their next level of growth. Often those that have found capital have lost control of their company. In 2017 minister of finances advisory council for economic growth recommended the creation of a private sector led growth fund to provide investments in established and high growth Canadian businesses and the results was the creation of the Canadian business growth fund, otherwise known as CBG F. this evergreen fund backed by Canadian banks and insurance companies has capital commitments of up to a billion dollars and a mandate to provide longterm patient minority capital to mid market businesses for growth and expansion. To explain more about this fund and the types of companies they're investing in. I'm pleased to have Caroline Elkind, the CFO of CBG AF joined me on the podcast. Caroline, nice to have you on the show.

Speaker 2 01:16 Welcome. Thanks. Thanks so much for having me, Janet.

Speaker 1 01:19 So you know what I love when I read about your fund was the fact that you say right on your website that you are providing patient minority growth capital. Can we break that down a little bit and talk about, you know how long you mean is patient?

Speaker 2 01:37 Sure, absolutely. So the length of time that we invest in any company really depends on the individual company and that company's needs. This is one of the amazing things about patient capital. The investment horizon time is based on what the company needs. So we can be a partner for five years, 10 years or longer if it makes sense. And one of the other things about us is we're an evergreen times, which means that we don't have an end date. We're able to perpetually invest. So as companies exit, we're able to redeploy that those funds to support new companies. And I'll explain a little bit about why this is unique. In many funds, they have a fixed time horizon. They have to return capital to their limited partners within a specified timeframe. It's often about 10 years. This usually means that they have a five year investment window on average and less flexibility on the exit timelines. The companies at year five need to start to prepare for an exit as opposed to focusing on growing their business. And that's how we're different because we don't have that restriction.

Speaker 1 02:42 Excellent. So when you talk about minority, and as I mentioned in the intro, you know, a lot of companies have to go out and get investment and get investment to keep growing. And eventually what ends up happening is they're so diluted, they don't even, you know, have control of their own companies. So what do you mean what is a minority stake in a company?

Speaker 2 03:02 That's a great point. Absolutely. So, uh, when we talk about minority, we're usually looking between 10 and 40% of the company. We do not want a controlling position. We want to leave these entrepreneurs into control of their businesses. That's our goal.

Speaker 1 03:19 Okay. And growth. So how are you supporting the growth be beyond providing that capital? What, what's in the background that's helping these companies get to where they want to go?

Speaker 2 03:30 Sure. So we're here to provide advice, needs, support. But how we do that will really depend on the individual company needs. So some companies may need assistance formalizing their governance process while others may be looking at an acquisition or an integration. So it really will depend on the factors surrounding the company. We also have a talent network, which can include, which can include our shareholders as well as people that we know to help support these companies with advice or even help them find members to sit on their board depending on what they need. So, you know, we view our investments as a longterm partnership and we're there to compliment the management team.

Speaker 1 04:15 So I guess as as times change and as the company grows, that support changes and so you're there, you're just there for whatever it is they need.

Speaker 2 04:25 We're there to support them. Absolutely.

Speaker --

-- 1 04:27 Okay. Let's talk about capital. What's the maximum and minimum investment that you would make in a company particularly just getting started?

Speaker 2 04:36 Again, a lot of it will depend on the company and where they are in their, in their growth cycle. But our investments range is really between three and about 20 million.

Speaker 1 04:47 Okay. Okay. So let's talk a little bit then now about the investment criteria. And I know that the fund is actually been around since, um, I believe, if I'm not mistaken, or around July of 2018 so you have done some investments. What's your investment criteria?

Speaker 2 05:05 Sure. So we invest in Canadian companies with approving operating model. So typically you're looking at companies who have between five and a hundred million of revenue, which means that we don't invest in startups. That's not for us. We're looking for an entrepreneurial management team, people who want to take their company to the next level and have a vision for how to do that. Also, you know, we're industry agnostic. We have a few restrictions, but otherwise we're focused on helping companies in most industries we have and we've invested in retail, software, automotive repair, healthcare and FinTech.

Speaker 1 05:44 So what would be one of the companies that you wouldn't invest in?

Speaker 2 05:49 Uh, do we have certain limitations like resource extraction, real estate development. Okay. Um, munitions.

Speaker 1 05:58 Gotcha. Okay. So are most of the companies that you've invested in so far, are they operating simply domestically or are they already a beyond Canada's borders and doing business internationally?

Speaker 2 06:11 We have both. We have some that are really domestic and we have some that are selling outside of Canada that are looking to grow, you know, on a, on a global scale.

Speaker 1 06:23 <inaudible> okay. Um, I'd like to take a step back and talk about the, how this fund actually came into being because I, I did mention that it's supported by banks and insurance companies. So you've got 13 leading banks and some insurance companies, um, a commitment of up to a billion dollars. Let's talk about how this, this whole fund actually came together.

Speaker 2 06:46 Sure. It's a pretty interesting story actually. And as you alluded to earlier, CBG was formed in response to a report issued by the minister of finances advisory council for economic growth in 2017. So the report identified a gap in the longterm capital available to comedian companies who were looking to grow and scale their business as well as talent that they needed for this. So one of the things that was interesting in the report is it outlined that for every dollar available for startup firms, there was 82 cents available for companies in the expansion stage. And when you look at the, when they compare this to the U S the U S had a dollar 92 available for expanding companies. There were people there. I know it's amazing. There are of course data, but you know these facts that this difference is hammering or Canadian entrepreneur's ability to scale their business and scale their companies. And in response to that, our shareholders, these 13 leading financial institutions came together to form the Canadian business growth funds. So as you mentioned, the launch, we were very close. We were in June of 2018 with 545 million of capital and expense invested in eight growing company.

Speaker 1 07:59 That's great. So you saved got banks and insurance companies. Is this something that uh, individuals can invest in? Can they invest in your fund?

Speaker 2 08:08 Sorry, it's a moment. There are no individuals.

Speaker 1 08:11 No. Okay. Let's talk a little bit about, and I know you mentioned it earlier, you talked about when you would exit a company, but let's, let's just define that a little bit, little bit more. Um, you know, what would be something that, that you would say, I think it's time to get out of this, this, this company, or does the company come to you and say, you know, maybe it's time for, for us to, to fly on her own. How do you see that playing out? Because I'm assuming, you know, it's only been a year and a half, so you haven't really exited yet.

Speaker 2 08:40 No, we have not, especially with our longterm nature. So that was not the goal to exit just yet. So again, this starts at the very beginning when we ma --

-- ke our first, when we make the initial investment in the company, we talk to the entrepreneurs. We asked you what are your goals for this company? What is your strategy? What, what is your exit horizon? Where do you want to go? And because we're evergreen, we have the flexibility. So if the management of the company or the entrepreneur says, you know, in five years they've reached their goal and they're ready to exit, then we're supportive of that. If the company's growing well and the entrepreneur says to us, we know what we want to keep going, we want to keep building, we want to see how where we can go. We're able to support them for 10 years as well or more.

Speaker 1 09:26 So. Tell me a little bit about that. That first year or first year and a half of the Canadian business growth fund.

Speaker 2 09:33 Sure. Well, as you try to pass when you were very busy here, the fund was essentially a startup and we did all of the things that a standard startup would do. We had to hire people, we had to set up an office, we had to create our processes and our procedures set up a governance framework. And then one of the other things that's really important to set up, especially in a new company with our values, our mission and our vision so that we can create a culture that was aligned with who we are as a company, who we are as a fund. And then the other challenge we face, which is also similar to other startups, was getting the word out. We wanted to, you know, we want to create a national brand. We wanted to ensure that these Canadian companies who needed partners like us knew about us. We want it to get our message across to the private Acadian private company market, which is not an easy task. So we were really excited and we were able to invest in two companies in our first year.

Speaker 1 10:32 Yeah. And I would think that, um, you guys almost sound like you're a bit too good to be true, right? Because you know, you start looking for capital and somebody wants to invest in your company and you just see your, your ownership dwindling away. And I'm sure that you probably ran into a few skeptics.

Speaker 2 10:52 Well we did have a little bit of skepticism, but I think overall, you know, our culture and our messaging and when you see companies go further down the process with us, they see who we are and whether this is a fit for them because it has to be the most important thing that it's a partnership, which means that it has to be the right fit for us, but it has to be the right fit for them as well. We are a commercial venture so we are looking for commercial return. But it is, it is a great offering that we have. I, I, I, I think so.

Speaker 1 11:29 <inaudible> so from your standpoint or, or from CBG, AV standpoint, uh, when you look at the horizon, what do you think success is going to look like for one of your companies or I guess probably it varies for, for each company and depending on what the industry they are in. But, but what do you think success is going to look like?

Speaker 2 11:52 Well, that's a great question and, and I think you're, you've caught on exactly to what I was gonna say, which is that each company's unique and each entrepreneur's vision and goal and potential for their company is unique. So whether it's growing a company from 5 million in revenue to 100 million in revenue, or you're the entrepreneur wants to IPO and the TSX, or maybe their goal is to become a leader on the global stage. You know, we support all those entrepreneurs and encourage them to think big. However they want to define big.

Speaker 1 12:28 I think that what is great about your fund, at least from my standpoint, we've seen so many really good Canadian companies get eaten up by larger international corporations and they lose their Canadian identity. And I'm hoping that what CBG F is doing is that it's giving Canadian companies the ability to actually be those leaders on the global stage.

Speaker 2 12:56 Yeah, that's her too. Yeah. You know what, for some companies that that is where they will want to go and I hope they get there. Uh, one of the things that a lot of entrepreneurs have said to us is that they like that we're a made in Canada solution. We are, you know, we're going to be Canadian for forever given our shareholder base. It's like, it's a made in Canada solution designed for Canadian companies to allow them to grow their businesses. And until they r --

-- each a large enough size, whatever that may be, enough scale that they're ready to move on and what however they move on, you know, whether that's, like I said, whether they're IPOing and it might be a sale or it might be a merger. I mean it's very hard to know, but it's given the entrepreneurs the choice.

Speaker 1 13:45 Well, and I, I think that's basically all we can really hope for, right? Just to, just to allow people to grow their businesses the way they want to. And there will be some that really make their Mark in Canada and internationally and some that, uh, do something else. But, um, as long as there's business success and, and people are, are using their abilities in Canada, I think that's terrific. So how do people approach your fund for funding and get in touch with CBG app?

Speaker 2 14:14 It's a good question. So people can reach out to us directly via telephone. We are always happy to take calls. Uh, alternatively there's also a spot on our website. We're an entrepreneur, can access what we've called it. Uh, here. The entrepreneur can fill out their contact information, tell us a little bit about their business and their needs and someone from our office will set up a time to connect.

Speaker 1 14:34 Okay. Caroline. Um, I'm really excited to watch how CBG F does as the years go by and I really appreciate you being on the show and I hope that uh, you'll keep us posted on how things are going. Perhaps even introduce us to some of the companies that you're with because I think you probably have a line on some really interesting businesses that are out there, um, that are doing some great things in Canada. So thank you very much for being on the show. Thank you so much for having me. You're welcome. Caroline Alkin is the CFO of the Canadian business growth fund and you can find them@cbgf.com the trade security podcast is brought to you by the receivables insurance association of Canada, whose members, brokers, and insurers are helping Canadian businesses succeed and grow by enabling them to trade securely at home and abroad. That's our show for this month. For more information to help you grow your business, check out our Twitter and LinkedIn feeds and subscribe and share this podcast with your friends and colleagues through iTunes, Google play, and Spotify. You can also download the trade security podcasts streaming up from the podcast page. I'm Janet Eastman. Until next time, thanks for listening to the trade security podcast.

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Speaker 1 15:55 and grow securely.

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