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REPORT ON BUSINESS

THE MAGAZINE FOR LEADERS

CEOs *of the* YEAR

FOR 2020, THERE ARE 4.1 MILLION OF THEM—DEDICATED PEOPLE LIKE JULIE YOO WHO RUN THE SMALL BUSINESSES DRIVING OUR ECONOMY DURING THE PANDEMIC





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XGen Studios



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Acuren Inc.



Jackie Chong
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NavieGo Patient Programs,
BioScript Solutions



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The Co-operators



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Operations Process Strategy,
RBC Royal Bank

10

CEO OF THE YEAR

The best CEOs inspire in many ways. So, we've chosen the year's top performers in five areas—strategy, innovation, corporate citizenship, global vision and the sharpest newcomer. Plus: a tribute to the heads of the millions of small and medium-sized companies that have kept us going during the pandemic.

/By James Bradshaw, Joe Castaldo, John Daly, Jason Kirby, Jason McBride and Niall McGee

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4 SEVEN THINGS

'Tis the year Canadians will cut back on all holiday spending, why execs with unusual names like Elon Musk think they're special and banana peels: the new superfood

7 NEED TO KNOW

Don't diss colleagues inadvertently with emails that are too abrupt, negative or goofy

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It's a slippery slope from touting genuinely good corporate deeds to evil greenwashing

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Like dating, job interviews have gone online. So, how do you get the most from virtual meet-ups?

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Lisa Lisson overcame the death of her husband, rose to become president of now-booming FedEx Canada and won acclaim for sharing an account of her personal tragedy

52 WEALTH

Penderfund Capital Management CEO and portfolio manager David Barr has a talent for picking outperforming small-cap companies that become juicy takeover targets

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Claude Guay took over as IBM Canada president in April, just as a pandemic-induced great digital acceleration was shifted into high gear



Cargojet's Ajay Virmani is our CEO strategist of the year—and he enjoys his job in every way
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Drinks giant Constellation Brands took over the world's biggest weed company, saw it was too big and installed David Klein as CEO to rein in Canopy Growth. /By Joe Castaldo

48 SELECTIVE HEARING
Voice recognition software is the next tech bonanza, and a Montreal startup figures it's found a shortcut to get there. /By Liza Agrba

COVER (AND RIGHT) PHOTOGRAPHED EXCLUSIVELY FOR ROB MAGAZINE BY MARKIAN LOZOWCHUK



Business as unusual

“

During the Blitz, London shopkeepers would often arrive at their stores in the morning to discover the overnight German bombing raids had left the streets strewn with debris and blown out their windows. The owners would sweep up the glass and scrawl “business as usual” in chalk across their storefronts. It was both an act of defiance and a notice to customers. They were determined to keep daily life moving forward, regardless of the obstacles.

The times and circumstances are vastly different, but there is a commonality of spirit between the shopkeepers of 1940 and the business owners confronting the current pandemic. More than two-thirds of small businesses have adapted their strategies to meet customer demand, according to a global survey conducted by Visa. Remarkably, the same survey found that after months of lockdowns, 71% of Canadian small business owners were still optimistic.

The pandemic-related challenges facing businesses—both big and small—were inescapable as we began our deliberations to select our CEO of the Year. For more than 15 years, Report on Business writers and editors chose one Canadian executive to honour for their accomplishments. In 2019, we broadened the awards to celebrate five finalists who excelled in different areas, such as strategy and innovation. We pulled together a similar short list of impressive chief executives this year, all individuals who enabled their businesses to thrive during the global pandemic. What our finalists have in common is an ability to look beyond the quarterly reports and business disruptions, and take care of their employees, customers and communities. Take Sean Boyd of Agnico Eagle, who made the decision to compensate workers at his Nunavut mine to stay home, rather than risk a coronavirus outbreak in the northern territory. Or Cargojet’s Ajay Virmani, who extended “hero pay” to his workers. Or Dave McKay at RBC, who has served as a vocal advocate for struggling small business owners.

In this, we find common cause with McKay. When selecting a CEO of the Year, we want not only to celebrate an exceptional leader but also offer a reflection on the year in Canadian business as a whole. And this year, we decided it wasn’t one individual who exemplified 2020, but many. It is the 4.1 million owners of small and medium-size businesses who disproportionately bore the brunt of this year’s economic hardship. But thanks to their innovation, strategy and grit, many small businesses not only survived but are positioned to lead the economic recovery ahead. Our 2020 CEOs of the Year are the people behind small businesses who confronted impossible conditions and, once again, declared business as usual.

/James Cowan

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FASCINATING MINDS



SINCE 1911

1

KEEPING IT ABOVE BOARD

Employers cite job boards as the best way to find impressive candidates, says a survey by Hays Canada.

WHICH RECRUITMENT CHANNEL DO YOU FIND MOST EFFECTIVE WHEN SEARCHING FOR TOP TALENT?



Time to sell?

A KPMG poll found many owners of small and mid-size businesses are looking for an exit.

23%

REGRET NOT SELLING THEIR BUSINESS SOONER

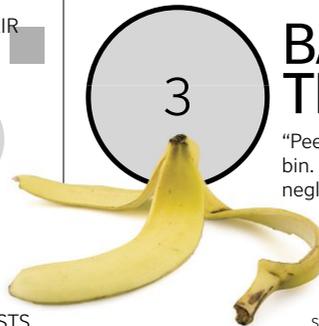
24%

NOW WANT TO SELL BECAUSE OF HIGHER PANDEMIC-RELATED COSTS

12/20

3

BANANA PEELS ARE THE NEW SUPERFOOD



"Peels and stems have come a long way from the compost bin. We're seeing a huge rise in packaged products that use neglected and underused parts of an ingredient as a path to reducing food waste. Upcycled foods, made from ingredients that would have otherwise been food waste, help make maximum use of the energy needed to produce, transport and prepare those ingredients."

SOURCE: WHOLE FOODS 2021 FOOD TRENDS REPORT

4

Charity will be the big winner this holiday season

Deloitte research found Canadians plan to spend less on almost everything this year. Grocery spending will go up slightly but the only big bump will be for good causes.



WHAT MAKES TESLA UNIQUE? ELON MUSK'S NAME

"Psychological studies suggest that individuals with uncommon names tend to have a self-conception of being different from their peers. Although many people may not have the confidence to exhibit how unique they believe themselves to be, CEOs do—they are generally confident individuals."
—Yungu Kang et al., Strategic Management Journal



PHOTOGRAPHS: ISTOCK; (MUSK) REUTERS/HANNIBAL HANSCHKE

TECH HELP WANTED

The most significant barrier to the adoption of new technology for firms around the world is a lack of local talent, a World Economic Forum survey found.

5

It's hard to keep your distance

6

60% of workplace interactions since the start of the pandemic violated physical distancing guidelines, according to VergeSense, a maker of sensors for office monitoring.

PERCEIVED BARRIERS TO THE ADOPTION OF NEW TECHNOLOGIES



Congratulations to these recent appointees



Phillip Crawley, Publisher & CEO of The Globe and Mail, extends best wishes to the following individuals who were recently featured in the Report on Business Section of The Globe and Mail newspaper. Congratulations on your new appointments.

Phillip Crawley



Paul Petrelli
to President and
CEO
Assuris



Christine Sawchuk
to President and
CEO
CBV Institute



Frédéric Perron
to President of
Cogeco Connexion
Cogeco Inc.



Jordan Seigel
to Director
of Marketing and
Product
Development
Gentec International



Paul Wood
to President and
CEO
Giant Tiger Stores
Limited



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to President and
CEO
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Directors
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Sons, Limited



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to VP, Operations
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to President &
C.O.O.
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to Board of
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Private Debt
Partners Inc.



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to Board of
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to Board of
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Private Debt
Partners Inc.



Thomas MacMillan
to Board of
Directors
Private Debt
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Anatol Von Hahn
to Board of
Directors
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Christopher Wassenaar
to Chief Risk
Officer and General
Counsel
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THE ROI IS A BETTER CANADA



Inbox anxiety

Employee productivity can suffer if you send surly replies—or don't respond at all. Time for an etiquette lesson

ILLUSTRATION KELLY SUTHERLAND

Is your approach to email causing employees to lose sleep? It may happen more often than you realize. A manager's bad etiquette can have a clear effect on workplace performance, according to new studies on "email incivility."

Research led by Zhenyu Yuan, a professor of managerial studies at the University of Illinois at Chicago, found people who experienced passive email rudeness—like failing to respond or ignoring specific questions—were more likely to sleep poorly after the perceived slight.

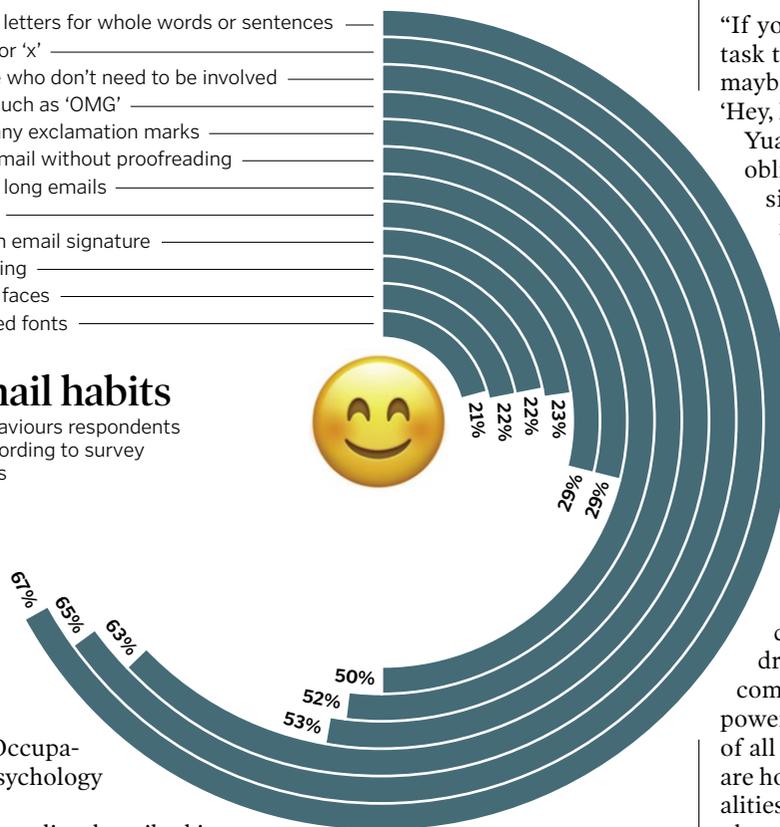
"If I don't hear back from my supervisor, I may find that disturbing but also have a hard time asking for clarification because it might be seen as confrontation," says Yuan, whose research was published in

Need to know

1. Using capital letters for whole words or sentences
2. Using kisses or 'x'
3. CCing people who don't need to be involved
4. Using slang such as 'OMG'
5. Using too many exclamation marks
6. Sending an email without proofreading
7. Sending very long emails
8. Using emojis
9. Not having an email signature
10. Double emailing
11. Using smiley faces
12. Using coloured fonts

Worst email habits

Percentage of behaviours respondents find annoying, according to survey of 1,928 individuals



the Journal of Occupational Health Psychology in June.

In one of two studies described in the paper, his team followed 119 participants over the course of two workweeks. The researchers asked participants about the tone of emails received in the afternoon and about how much sleep they got and how they were feeling on the following morning. Participants reported receiving a rude email on 46.8% of the days studied. Individuals who suffered passive incivility—as opposed to open hostility—were more likely to report insomnia. For many respondents, that poor sleep had a negative effect on their function at work the following morning.

These results show a seemingly insignificant act can have meaningful consequences, according to Yuan. “This is not as clear-cut as physical assault or harassment, just low-intensity rudeness,” he says, noting the nuance in this area of study. “If I bring this up to my supervisor, it’s easy to explain away. They can just say, ‘I don’t see it that way,’ or, ‘Maybe the person is busy.’”

He adds individuals who check work emails in the evening may be more likely to be thinking about perceived slights at bedtime. He suggests managers work with their teams to create expectations for both email response times and tone.

DRIVE IT OFF THE LOT, TODAY!

› Car salespeople offer an unexpected lesson in the value of transparency, according to a recent study published in the Journal of Marketing Research. Researchers, led by Yashar Atefi of the University of Denver, observed more than 400 negotiations at U.S. car lots. When a salesperson revealed the invoice price of a vehicle—the amount paid by the dealership itself—that increased customers’ trust. In turn, car buyers spent an average of \$1,400 more on add-ons such as extended warranties and insurance. The reason? Consumers can verify invoice prices with relative ease through online research. And once they determine a salesperson is honest in one area, they assume trustworthiness overall.

“If you are asking me for a complicated task to be done that will take a few days, maybe there should be a rule for me to say, ‘Hey, I got your email,’” he says.

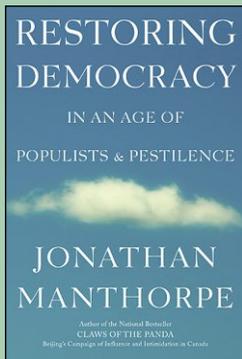
Yuan isn’t suggesting people should be obligated to respond right away or outside work hours, but simply notes it is worth managers taking a focused look at their company’s email culture. “If I am constantly trying to get one of my managers [to pay attention to me], I am left with a greater level of insecurity,” Yuan explains.

Rikia Saddy, a business strategist in Vancouver and adviser to CEOs, says while most of us have dealt with email frustration, it’s hard to place too much blame on people who don’t respond. “I can think of 100 reasons someone doesn’t return an email. We’re all drowning, and email is just one of many communication channels. It reflects the power dynamics, failings and insecurities of all communications,” she says. “There are hostile and passive-aggressive personalities that must be dealt with in the workplace because they erode morale, but that’s separate from the email issue.”

But Saddy agrees managers should develop an email strategy with their teams and suggests they also consider ways to reduce the number of messages. That would allow important questions to have a better chance of being answered. “You can set guidelines around who gets CCed. I think a lot of email problems would go away if the volume decreased.”

She believes it’s the sender’s responsibility to ensure questions are answered, a goal that can be aided by writing in a concise, clear way; making sure the request is near the beginning; and avoiding big questions that would be better addressed in a meeting. “If it’s time-sensitive, explain that and spell out the ask in clear terms: ‘If you say yes, here’s what happens, and if you say no, here’s what happens,’” she says.

Saddy also notes not everyone sees the importance of email in the same way. There are generational differences, with older workers potentially more likely to expect a response. (In Yuan’s study, the participants’ average age was 35.5 years.) There are also variables in ability: People with reading disabilities may struggle with long, densely written emails, Saddy says. “Email is an imperfect medium. We ask way too much of email.” /Saira Peesker



JONATHAN MANTHORPE

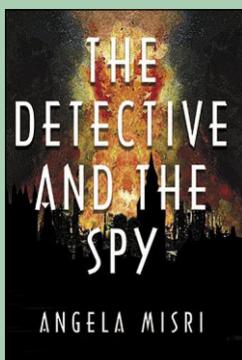
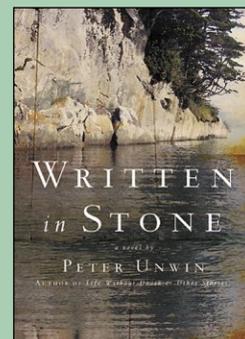
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PETER UNWIN

WRITTEN IN STONE

A masterful novel that exists on the border where the known and unknown cannot be separated, where mythology and reality are one, and where an old and inaccessible knowledge holds the means to a possible reconciliation.



ANGELA MISRI

THE DETECTIVE AND THE SPY

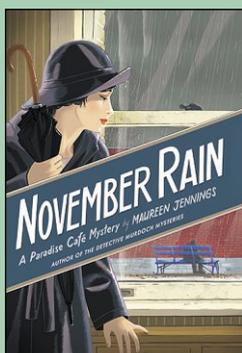
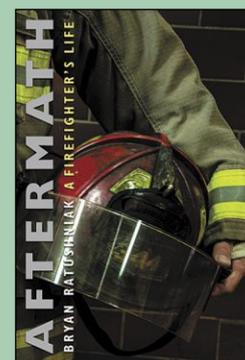
“Misri’s books have, as their protagonist, the immensely engaging Portia Adams, a young Canadian detective with a connection to Holmes and Watson ... Misri is one of the most exciting new authors whose works I’ve encountered in some time.” — *Girl Meets Sherlock*

BRYAN RATUSHNIAK

AFTERMATH

A Firefighter’s Life

“The raw energy and emotional honesty of this book make it a completely compelling read. Impossible to put down.” — Maureen Jennings, author of the *Detective Murdoch Mysteries*



MAUREEN JENNINGS

NOVEMBER RAIN

The plotting ... is seamless ... We solve not one but two mysteries and learn a great deal about the protagonist and the supporting characters in her life.” — *I’ve Read This (Heat Wave)*

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BIG IDEA

Come out of the wash

Before promoting your pandemic good deeds, ensure you're not repeating greenwashers' mistakes

T

This year saw multiple environmental disasters, from the collapse of Canada's last intact ice shelf to record-setting wildfires ravaging the western United States. Amid such stark high-profile signs of climate change in North America, it's no wonder environmental responsibility continues to move to the top of corporate agendas.

But caution is required for firms seeking to communicate a green message to consumers. Having your company's environmentalism viewed as tokenism or, worse, misleading can be highly detrimental. This perceived "greenwashing" can result in degraded attitudes toward brands and an unwillingness to buy a company's products, says Jane Webster, E. Marie Shantz chair of Digital Technology at the Smith School of Business at Queen's University.

Considering those stakes, Webster and environmental science student Szerena Szabo, now an MBA candidate at the DeGroote School of Business, examined the influences and outcomes of perceived greenwashing. Their research, published in the *Journal of Business Ethics*, offers insight into how organizations can avoid and recover from allegations of greenwashing.

These same findings could



be useful as firms increasingly face claims of corona-washing: Just as companies may mislead consumers about their environmental practices, such deception also exists in firms' pandemic responses. Szabo points to the example of major clothing brands garnering public praise for promising to pay employees after stores were shuttered this spring. But workers at Ann Taylor, American Eagle and Anthropologie went on to tell BuzzFeed News that those companies had instead cut several scheduled shifts, leaving employees with little or no pay.

As part of their research, Szabo and Webster studied 166 Generation Z students as they shopped on fictitious websites selling T-shirts. In a behavioural lab, facial expressions and mouse clicks were recorded as students used the sites; the participants also completed questionnaires when they were done.

The researchers found that when the students discerned greenwashing, their feelings toward the products turned negative. Participants had lower expressions of happiness, as well as lower intentions of purchasing those products.

Intriguingly, website design was another factor influencing the perception of greenwashing. Participants spent more time on websites containing interactive components, such as hyperlinks and expandable content, known as accordions. When green information was provided in this way, participants were also more likely to believe marketing claims, purchase products and think positively of the brand.

“IT’S NOT ABOUT BEING THE BEST OR BEING PERFECT, BECAUSE THAT’S WHERE YOU LOSE THAT TRANSPARENCY”

This suggested to the researchers that green marketers are able to manipulate consumers by increasing website interactivity, although Szabo and Webster say further research is needed.

The researchers also identified different shades of greenwashing. Companies may be “evil greeners,” who intentionally greenwash; unintentional greenwashers; “green blushers,” who do not advertise their green initiatives; and truthful green marketers, who do not greenwash at all.

“There’s a lot of complexity within greenwashing,” Szabo says. Executives could believe they are being transparent, but not understanding the entire supply chain could result in unintentional greenwashing.

For the study, the researchers conducted interviews with managers at 17 certified B Corporations, a designation that demonstrates a commitment to environmental sustainability, among other attributes. Half the interviewees indicated that their companies rely on transparent communication to avoid the appearance of greenwashing. The study also recommended never making sweeping claims or bragging about being the best in an industry. “It’s not about being the best or being perfect, because that’s where you lose that transparency,” Szabo advises.

A major way transparency can work for all companies, the researchers say, is through third-party certification programs, such as B Corporation, as well as TRUE (for facilities and their operations) and LEED (for buildings). Certification increases accountability and transparency, Szabo says. “It definitely prevents that pushback from other companies, as well as customers, when you’re certified by a third party. It also really just showcases your company’s values. And one other thing could be that it actually attracts young talent,” Szabo says.

Justine Barber of Poppy Barley, an Alberta-based fashion brand producing leather footwear and accessories, has made it a core part of her business to highlight the workers who make her products at factories in Mexico and Brazil. To that end, Poppy Barley became a certified B Corporation in 2019. “It gave us, as a company, a more holistic framework to think about, in terms of being a sustainable business and having goals to strive toward,” says Barber, co-founder and co-CEO. “The second thing was we liked that it was an external certification that had meaning behind it.”

The certification is displayed on the company’s website, at its two stores and on its packaging. Barber says being a B Corp. means a lot to employees. Staff are attracted and loyal to a company with a bigger purpose behind it. “For customers, it’s a mix,” she says. “It’s a relatively new certification, so I think a lot of people don’t know what it means. So then they’re learning, and they find it really interesting.”

Poppy Barley also publishes an annual sustainability report

to share goals and demonstrate whether it’s met previous targets. Detailing its shortcomings—along with its successes—is part of the company’s focus on progress over perfection. “Greenwashing happens when you are loosely applying a word and not really attaching a lot of meaning behind it,” Barber says. “It’s really important that we say what we are doing and what we’re not doing, and that we’re specific.”

Third-party certification could also help companies combat corona-washing, Szabo and Webster say. Becoming a certified B Corp., for example, requires an assessment of a company’s impact on workers, customers, community and the environment. When companies have completed such a thorough examination, it seems less likely that they would try to exploit a pandemic. “If [a company] had strong values before the coronavirus, they will probably continue, and if they didn’t, they’ll probably take advantage of it,” Webster says.

Transparency is also important for former “evil greeners” who want to improve and for unintentional greenwashers facing backlash, according to researchers. One approach suggested for reformed firms is to adopt Poppy Barley’s method and produce an impact or sustainability report. “This might seem counterintuitive,” Szabo says, “but a lot of interviewees that reported they respond better to organizations they believe are being truthful.” /Cailynn Klingbeil

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ASK AN EXPERT

The match game

I need to hire a new CFO, but knowing whether a candidate's personality matches our company is tough when we're meeting remotely. What should I do?

Q Finding the perfect C-suite companion, whether in person or online, is like dating: You can't find your match until you know what you want. Barbara Bowes, an HR expert and president of Legacy Bowes Group, suggests engaging in some reflection before meeting with candidates. "First you need to understand your culture," she says. "Is it friendly? Formal? Figure out exactly what it is and what personality fits." One way to gain perspective is to think about your most recent ex—executive, that is. "Obviously the position has been vacated, so it's very helpful to look backward at the previous incumbent's style," says Bowes. Maybe you want to recreate that or avoid it. Either way, Bowes advises that any candidate being hired at this level should complete a psychometric assessment to "assess character, personality, leadership effectiveness and ability to carry out tasks."

Laying this groundwork ensures a virtual meeting isn't about whether the two parties match but whether they mesh.

A candidate might actually be more relaxed at home than in an unfamiliar office. Or not. "Be cognizant of whether the person is nervous or not confident with the technology," says Bowes. Lots of us aren't, and there's no shame in saying so. And don't be surprised if you're soon commiserating about tough times. "The goal is to get personal without probing," says Bowes, which—also like dating—takes time and patience. Three shorter meetings are better than one epic one. "An hour is lots. If it's going great, maybe an hour and a half, but don't push it."

We're currently crafting a three-year plan for our firm, but the pandemic is making it difficult. How should we proceed?

Naturally, everyone prefers a long-term business strategy, but most companies likely require a short-term survival plan right now, says Andrew Hewat of Hewat Strategic Edge Ltd. "Short-term planning may actually be a better plan, which came as a big surprise to me, as I spent my whole life advocating

for long-term strategy," he says. If your usual three-year plan feels extra hard this year, it's probably because your six-month plan isn't strong. In fact, in these precarious times, even six months might be too long. "The reality is you probably need a series of short-term plans," says Hewat. Month to month or quarter by quarter is more manageable for most, plus it brings a big opportunity to rebuild your business model to be more durable in the first place, he says. Paradoxically, notes Hewat, the pandemic has underscored the importance of not only planning but also of being flexible.

When we have video meetings, I often find myself talking to a wall of blank squares. Can I require my employees to turn on their cameras during calls?

Bummer for pyjama enthusiasts: "Just like in pre-COVID-19 times, when an employer could make an in-person meeting mandatory, they can absolutely make employees at home turn on their video cameras," explains employment lawyer Leslie Whittaker. One potential legal land mine is privacy, but good luck to anyone arguing that case. "Privacy rights are always balanced with an employer's right to reasonably manage," says Whittaker, "and an hour video call is very reasonable." A boss can best enforce this by clearly communicating expectations and imposing policies that apply across the board. "Include an explanation about why face-to-face connection is important and a clear expectation that everyone should attend, but also carve out space for extenuating circumstances," she says. Build a virtual space where nobody disables their camera unless they need to, but when it's really necessary, they'll turn it off without worry. **/Rosemary Counter**

THE EXCHANGE

She delivers

Lisa Lisson overcame a personal tragedy to become president of FedEx Canada 10 years ago. Back then, e-commerce barely existed. Now, it's booming—and so is her business

BY TREVOR COLE



Two decisions loom large in the history of Lisa Lisson. One, which Lisson calls the defining choice of her life, came in 2007, when a heart attack felled her 38-year-old husband, Pat, and left him in a coma with barely a flicker of brain activity. Against the advice of doctors, she kept him alive for two years in the hope of a recovery that would never come. The other decision, which shaped the course of her career, was far happier. It occurred when Lisson, fresh out of university, decided to pursue a marketing job at FedEx Canada. Twenty-eight years later, with Lisson now having notched a decade as president of the global shipping company's Canadian subsidiary (1), she finds herself riding a wave of e-commerce-driven growth. What does it mean for FedEx's profits or position in the Canadian market? That's hard to know.

This has been a strange and challenging year, but a good one for package carriers. I've seen StatsCan numbers that say e-commerce sales have more than doubled this year over last. How much has your business increased?

We don't release any Canadian information, because we roll up to the United States. But what I can tell you is that e-commerce has obviously exploded. As we are approaching this holiday season, online shopping and shipping volumes are expected to break records and beat last year's volumes several times over. I'll give you some trends

1. Lisson was the first woman and the first Canadian to be appointed president of FedEx Canada.





PHOTOGRAPHS ARDEN WRAY

south of the border. Pre-COVID, FedEx projected the U.S. domestic market would hit 100 million packages per day by calendar year 2026. But the market now is expected to hit that mark three years sooner, by 2023. And as much as 96% of this growth is expected to come from e-commerce. (2) We are hiring quite a lot of employees right now to help with volume growth.

How many?

Our goal is to hire around 2,000 people in Canada to help with the peak season. (3) We've gone from 8,000 to 10,000 employees across Canada.

Are these temporary employees?

No, they're actually not, Trevor. We do have a small handful of temporary, but the vast majority are employees that we know we are going to need. Prior to e-commerce, January was a relatively slow month for us. Now, with online shopping, you're going to have all these people doing returns. So it really extends what we call our peak holiday shipping timeframe.

You're one of the few industries that benefits from both sides of a failed transaction.

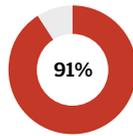
You're absolutely correct. When people order online and need to return something, they have to ship it back. So we do benefit from returns.

I have read that, in the midst of this e-commerce explosion, carriers like FedEx have "almost unlimited pricing power." What are you doing to take advantage of this moment?

We have put in peak surcharges over the holiday timeframe, and that's because our costs dramatically increase. We will have some customers that, on average, maybe ship 2,000 pieces a day. During the peak holiday time, shipping can ramp up to 14,000 pieces a day. So we put in a peak surcharge to help us manage the costs we incur, to help our customers move those large peak volumes in a very condensed amount of time.

Last year, FedEx ended its largest

A FEDEX CANADA SURVEY INDICATES COURIERS COULD BE BUSIER THAN EVER THIS HOLIDAY SEASON



CANADIANS WHO SAID THEY SHOPPED ONLINE IN OCTOBER



RESPONDENTS WHO WERE PLANNING TO DO SOME OR ALL OF THEIR HOLIDAY SHOPPING ONLINE



PORTION WHO SAID THEY'D NEVER SHOPPED ONLINE FOR HOLIDAY GIFTS BEFORE, BUT INTEND TO DO SO THIS YEAR

2. As of September, FedEx Canada's residential volume (representing almost half of all its deliveries in Canada) had increased almost 130% over the previous year.

3. FedEx later clarified to say that the company has added more than 2,500 employees in Canada since the start of the summer.

4. "Tugs" are robotic delivery systems that help move cargo offloaded from planes to input locations where the freight is sorted. FedEx has piloted autonomous tugs at Toronto's Pearson International Airport.

Amazon contracts, and I assume that was true for Canada, as well?

Yes, we no longer do business with Amazon here in Canada.

Can you tell me why?

No, I can't. I don't get into why we do and do not do business with customers.

At the same time they dropped Amazon, FedEx in the U.S.—I assume in Canada, as well—decided to go "all in on e-commerce." But one of the biggest forces behind e-commerce is Shopify. Shopify doesn't use FedEx. So who do you ship for?

There's a lot of different shipping applications. Some of them we partner with, and some we don't. Walmart's a customer of ours, for example. And they are building up their e-commerce presence.

You've been president for 10 years. I'm sure a lot has changed. How is the shipping world different?

Ten years ago, if someone wanted to connect with FedEx, they'd have to pick up the phone. There was no online application. We had no social presence, no apps. We didn't have any of the business we talked about—people ordering online and returns. People would go into a bricks-and-mortar store. They would buy whatever they needed, and if they had to return it, they'd go and return it. This whole industry didn't exist 10 years ago.

Besides the apps you mentioned,

how is FedEx employing new technology to compete?

One of the things we are piloting right now in the U.S. is a device called Roxo, which is basically a unit that will allow us to deliver, say, from a pharmacy within a certain radius right to the door. It's a very small, box type of robot. It's boxy because we've got to be able to put packages inside of it. The wheels it uses are similar to what you find on some very high-tech devices that need to work off-terrain.

What else are you doing?

We're also piloting some autonomous tugs in our hub. (4) We're looking at robotics. Here in Mississauga, we just built a state-of-the-art e-commerce sorting system. Once a package enters the system, it will not touch a human being until it goes out for delivery.

I want to shift now. Thirteen years ago, in 2007, you and your family suffered a great tragedy. You have my deep condolences.

Thank you.

Three years ago you came out with a book about that experience. (5) What was behind that decision?

I kept my husband in a vegetative state for two years waiting for a miracle that wasn't meant to be, trying everything I could to wake up his brain. Toward the end of those two years, he was becoming very ill, and I had to let him go. A year after that, I was very fortunate to get this position of president, and The Globe and Mail interviewed me. The reporter asked, "Did anything happen on your rise to this position?" I said to him, "How much time do you have?" And I ended up telling him the whole story. A lot of women's groups started reaching out to me to share my story, and through their encouragement, I started considering writing a book. Also, as my kids were getting older, they started asking questions. So I thought, *You know what? I'm going to document this journey.* I didn't realize how therapeutic writing

the book would be.

Much of the book covers your rise at FedEx, and you spend a lot of time on how you honed and adjusted your behaviour over the years in order to succeed. Why did you feel the need to do that?

One of the things I've learned through all my mentors is that real leaders are authentic. You take the leadership styles you admire, you take the ones you don't, and then you form a style that's authentic to you. Part of my style is that I love connecting with people on a personal level. But earlier on in my career, I didn't see a lot of men doing that, so I felt maybe I shouldn't. And I realized I would be better served just being my authentic self. Because people can tell when you're not being natural. **And yet you talk in detail about how, for example, you learned to hide your feelings: "I trained like a soldier. I studied techniques to control my emotions. I taught myself to develop a poker face."**

Earlier on in my career, I would watch some female leaders in the boardroom get extremely emotional. And it would impact their ability to communicate effectively. You can't get emotional in the boardroom. You can't take things so personally, because it's not personal—you're trying to get the best decision. I am an emotional person. And so if someone was trying to ruffle my feathers, I had to tell myself, *Lookit, don't take this personally. It's business. Keep your emotions intact.* I've been in some meetings where a man would just put his arm on the table and pound, pound. Well, that's not appropriate. Everyone has moments when they're vulnerable. But it shouldn't be the norm.

You also talk about the fact that shipping is an overwhelmingly male industry. But as you rose up at FedEx, you apparently didn't encounter a single instance of sexism. Is that true?

That is absolutely correct. I did not. Our founder, Fred Smith,

"You can't get emotional in the boardroom"



5. Resilience: *Navigating Life, Loss and the Road to Success* was ghost-written by journalist and author Wendy Dennis, and published by ECW in 2017.

6. Memphis, Tenn., is the home of FedEx's corporate headquarters.

believed in the importance of culture before strategy. So when he created our company, he said we had to treat our people with the utmost trust and respect, because they are the most important asset. And he has made sure the culture at FedEx is full of diversity, that it's full of inclusion.

You mention diversity. There are 12 people on the board. Four of them are women. Is that enough?

You know, I personally believe in equality for women and making sure we get more and more women on boards, more and more women in the C-suite. But I also believe it shouldn't just be about checking the box. So I'm very proud that FedEx has four women, because you look at

some boards and you probably won't even find one.

You've been with FedEx for 28 years. Do you ever worry that your perspective is limited by never having worked for another company?

No, and here's one of the many reasons why I love this job. We can pretty much do business with any industry and any company. I get to learn about a lot of different companies through best practices with our customers. So I don't really feel that I am missing out.

In your book, you talk about yourself as a rule follower: "I can't break even the simplest rule." How do you adjust to changing circumstances?

I think what I meant by "rules" is doing what's right in your core. I would wait in line at the movie theatre and constantly see people try to butt in and work their way up. I can't do that. With respect to business—if I say to my IT team, "Lookit, we need to come up with a solution. I need out-of-the-box thinking. I know we're probably supposed to wait to see if Memphis (6) develops this application, but let's see what we can do here locally." You have to do some of that in order to create innovation or move quicker. I'm a rule follower when it comes to my ethics.

You also say that you're very goal-focused. What's your big goal now?

Pre-COVID, my goal was to run another division of FedEx. But that's changed. I've got four kids here in Canada. If I was working in the U.S. right now, I wouldn't be able to see them because of the quarantine. One of the things I have moved up on my goal list is to get onto a corporate board in Canada. I think the pandemic has caused us all to pause and reflect on our goals for the foreseeable future.

Trevor Cole is the award-winning author of five books, including The Whisky King, a non-fiction account of Canada's most infamous mobster bootlegger.



Helping Clients Thrive and Communities Prosper.

RBC is proud to congratulate our CEO, Dave McKay, on being named the Corporate Citizen of the Year for 2020. His commitment to social responsibility inspires our relentless pursuit of new ideas to help build a better future for Canadians.



In this unprecedented year, Report on Business magazine recognizes five business leaders who fought to protect the Canadian economy. Our reporters and editors nominated, debated and selected Canada's top strategist, innovator, corporate citizen, global visionary and best new CEO. But we decided that our top honour this year wouldn't go to one executive, but to 4.1-million small businesses bosses across the country. As we celebrate the C-suite, we also acknowledge that Main Street is offering true inspiration

CEOs OF THE YEAR



If you had wandered into Julie Yoo's boutique consignment store on a sunny weekend in the Time Before COVID-19, you'd have found yourself brushing up against a dozen or so other shoppers scoping out resale luxury handbags, designer dresses and high-end jewellery. Since opening I Miss You Vintage more than 15 years ago, the 44-year-old entrepreneur has turned her business into a fixture on Toronto's bustling Ossington Ave. and a favoured haunt of celebrities and designers passing through the city.

In March, Yoo was gearing up for yet another busy spring fashion shopping season, but it never happened. At least, not in the way she envisioned. With her store deemed non-essential and ordered to close amid the pandemic lockdown, Yoo spent the next month with her small staff photographing and cataloguing every item to sell over the internet. She'd already taken small steps into the e-commerce world, but now she converted one of the shop's three rooms into a photo studio to keep pace with surging online sales. Then, when another luxury consignment shop shut its doors, Yoo snapped up \$500,000 of its stock to add to her offerings.

"The workload is more now—I work 100 hours a week—but we're doing similar to or better than before," she says.

Sean Boyd
Vice-Chairman and CEO,
Agnico Eagle Mines Ltd.
Global Visionary CEO of the Year,
page 28

Photographs by Markian Lozowchuk

“I’m one of those people who looks at the cards I’m given and adapts, and this whole thing has been an exercise in adapting and finding creative ways to survive and reinvent your business.”

Yoo’s journey is a microcosm of the gruelling ordeal thousands of small and medium-size businesses have endured during the pandemic. Almost no sector of the economy escaped unscathed, but small and medium enterprises (SMEs) were unduly impacted by physical distancing and lockdown measures meant to slow COVID-19’s spread. Yet it is precisely the ingenuity and resilience of small businesses that we should look to to guide Canada through this grim period. Ultimately, SMEs will determine the speed and vibrancy with which Canada’s economy rebuilds.

The importance of small businesses in Canada’s economy can’t be overstated. We may think of them as mom-and-pop shops, but SMEs also include manufacturers, contractors, transporters and finance firms. Many tech start-ups count, too.

Prior to the pandemic, seven in 10 workers got their paycheques from small businesses (those firms with fewer than 100 employees). When you add in medium-size companies (between 100 and 500 employees), that share of the labour market climbs to 8%. At the same time, small businesses have steadily become bigger drivers of economic growth, accounting for 42% of GDP in 2016 (the most recent year for which Statistics Canada has figures), up from 40% in 2011. Over that same period, large companies saw their contribution to GDP shrink from 49% to 44%.

Which is why COVID-19’s gut punch to the SME sector has been so troubling to watch. Small businesses bore the brunt of the economic damage—Statistics Canada found that in the first quarter, real GDP shrank by 2.1% for small companies, compared to a 1.5% decline in output for big companies. A large reason for that disparity lies in the

unequal treatment small businesses faced from lockdown restrictions. While giant retailers like Walmart and Costco stayed open, selling TVs, pants and toys alongside essential groceries, most small stores were deemed non-essential and had to close.

And yet SMEs have led the early stages of the recovery. Since March, these businesses expanded their number of employees nearly twice as fast as those with 500 or more workers. Small businesses with fewer than 20 employees are building back even faster, adding 547,000 jobs compared to 73,000 at large companies.

It takes a certain type of individual to face a crisis like this pandemic and spot opportunity. Then again, the entrepreneurs who launch small businesses are, by their nature, risk takers and innovators.

The path back will not be without its challenges. The Canadian Federation of Independent Business’s monthly survey of its members in October found intense anxiety surrounding the uncertainty of a second-wave lockdown. The share of small businesses that were fully open slipped to 66% from 72% two weeks earlier. But renewal is happening. We can choose to dwell on the 298,000 businesses that have closed permanently since March or on the 215,000 businesses, most of them SMEs, that entrepreneurs have launched to replace them.

Recessions are often likened to wildfires that destroy whatever is in their path but create the environment necessary for new forests to grow back stronger. Now, as they have always done, small business entrepreneurs are planting the seeds that will rejuvenate Canada’s post-pandemic economy.

Julie Yoo
 Founder, I Miss You Vintage





STARS

CEO OF THE YEAR

Dr. Ajay K. Virmani
President and CEO, Cargojet

Demonstrated a hard nose in negotiations and a soft heart with employees
By John Daly

On March 25, as government shut-downs to combat the spread of COVID-19 took hold, Ajay Virmani, the 64-year-old founder of Canada's dominant cargo airline, Cargojet, hosted what is now a ubiquitous event in many companies—a nationwide virtual town hall. About 1,000 of Cargojet's workforce of 1,200 tuned in.

"We basically took questions," Virmani says, wearing a grey track suit in the large, sunny living room of his house on the Lake Ontario waterfront west of Toronto. "The only thing I heard from every employee was they were ready. This was the time to step up."

Virmani had already rolled out several measures to keep flights going across Canada and the United States, and he wanted to remind employees about how crucially important they are

to him. Those initiatives included flying in personal protective equipment from China, sanitizing offices and adding \$75 a day in "hero pay" for everyone (it lasted until August—and then each employee received a \$1,000 bonus). He knew he also had a rock-solid foundation: 20 years of respect for and paying attention to staff and customers.

Virmani is a rare combination of expertise and instincts on many levels. He has an economics degree from his native India and an MBA from New York University (NYU). He learned the nuts and bolts of the logistics business in the 1980s and 1990s.

Most importantly, he looked at the fragmented and often poorly performing Canadian air cargo sector in the early 2000s and saw a huge opportunity for a consolidator who could actually deliver consistent service. "Cargojet is kind of unique to the Canadian market," says veteran aviation analyst Chris Murray, managing director at AltaCorp. Capital Inc. "Essentially, they've taken every competitor and made them a customer."

Rare is any news release or investor presentation from Cargojet that doesn't quickly point to its 98%-plus on-time performance (OTP). Maintaining that even during economic upheavals requires dedication from employees. Loading and unloading cargo in the middle of the night for next-day delivery—in sub-zero temperatures for much of the year across Canada—is not a glamorous business.

Virmani keeps ground crews and pilots motivated through genuine rapport—and a bit of glitz. His pals include Drake (a friend of 10 years) and many Toronto Blue Jays and Raptors. Virmani often hires them to appear at company pizza parties and other events.

But there's a business rationale behind the hoopla. "Wherever I go, I need to think of one thing: *What am I going to do differently than the rest of the crowd?*" says Virmani. No one is going to remember yet another corpo-

Photograph by Markian Lozowchuk





rate wine and cheese party. Everyone will remember getting a signed bat from José Bautista or a basketball from Kawhi Leonard.

Virmani's initiatives as the pandemic hit paid off almost right away. Riding a surge in e-commerce, Cargojet reported its best quarterly financial results ever for the three months ended June 30, and its share price soared to new records.

To anyone who's familiar with Virmani and his company, that should have come as no surprise. He's not afraid to double down during a crisis, squeeze troubled sellers to dispose of planes cheaply, and forge ahead even when others say he's taking on too much risk. The key is to develop a solid game plan—and stick to it.

The drive west from Toronto to the grandly named John C. Munro International Airport on rural land outside Hamilton takes only about 45 minutes after evening rush hour. Cargojet operates 60 flights daily to and from 16 cities across Canada. Hamilton is Cargojet's national hub, and on a chilly night in early October, a visit reveals the stark differences in the fortunes of cargo and passenger airlines in a pandemic.

At 8:30 p.m., there is literally no one in the brightly lit passenger terminal, just about a dozen dark check-in kiosks in the departures area, an idle luggage conveyor belt in arrivals, empty car rental booths and a closed Tim Hortons.

Over at three large hangars to the east with bright Cargojet signs, the parking lots are full, and more than 500 employees are starting the night shift. The company has a fleet of more than two dozen Boeing jets—now all 757s and larger 767s—and operates 24-7.

Other courier companies, including DHL and Purolator, have facilities at the airport, but Cargojet does the flying. About 10 of its jets are out on the tarmac, each next to roughly 30 so-called "cans": tool-shed-size metal containers that are loaded inside hangars, weighed and towed out to planes. Seeing a can full of hundreds of cardboard boxes with the now immediately familiar Amazon smile logo on their sides gives you an idea of how big the surge in e-commerce has been during the pandemic.

Overnight shifts are long. For much of the year, there's snow to be cleared and planes to be de-iced. And many

cities have way grimmer winters than Hamilton.

Cargojet's pilots are unionized, but its ground crews are not. Dave Sibbald, the 40-ish manager of facility maintenance and aircraft servicing, says they all appreciate the attention: the new warm clothing every year, the events with athletes, Virmani's reactions on Facebook and Instagram when they post photos from work, and more.

Employees also have immediate access to the CEO. Virmani gives them all his email address and cell number. "Ajay is really good that way," says Sibbald with a grin under his face mask.

There's a coolness factor, too. Drake caused a sensation in May 2019, after tweets and other online posts showed the unveiling of his Air Drake jet. Cargojet named him brand ambassador and refurbished a used 767 cargo plane for him, with carpets, a video lounge and more. Drake later described the arrangement as a "time share," and Virmani now downplays the plane, saying he got it from a motivated seller and it's part of a "win-win" promotional partnership deal with the rapper. "Drake has been a deliverer of value," he says.

Always grateful for employee support, Virmani has been even more so during the pandemic. So, in some ways, he isn't surprised Cargojet posted record second-quarter financial results. No one could have predicted the COVID-19 crisis, but the company was well-prepared to seize opportunities. He uses a Raptors analogy—Kawhi Leonard's last-second basket that won game seven of the NBA semifinal against Philadelphia in 2019.

Virmani and his 35-year-old son, Vinay, an actor and moviemaker, have front-row seats at Raptors games. They watched Leonard's jumper bounce four times off the rim before dropping through the net. "Kawhi will tell you it was a lucky shot," Virmani says. But if the team hadn't worked hard all that season to get there, he says, "they wouldn't have had that luck, right?"

Virmani likes to joke that he started at the top—literally. Arriving as an immigrant in 1975, he got a job through Canada Manpower washing windows at the Toronto-Dominion Centre in downtown Toronto. He lasted two days, but memories of the cold and freezing rain endured. "I want to make sure that the 800 of my people who work outside at

airports in -20, -30 degrees have the best clothing and equipment money can buy," he says.

Various odd jobs followed. Virmani's entry into logistics came when he joined Cottrell Transport in 1977. He started in collections and was soon running the credit department nationwide. Virmani also expanded his skills, earning his two-year MBA from NYU in 1985. There were three days of classes a week. He drove to Buffalo, took a \$19 People Express flight and stayed with his sister in Queens.

Cottrell promoted Virmani, putting him in charge of its small money-losing air freight division. In three years, it turned a \$3-million profit. In 1990, management wanted to take over Cottrell through a \$30-million leveraged buy-out, and they offered Virmani a slice—if he invested and stayed on. But his studies of mergers and acquisitions told him the deal was all wrong.

So Virmani quit and launched his own company, Commercial Transport International. It was basically him, two employees and a Ford van at the start, but by 1995, it had 200 employees and \$20 million a year in sales. Managers at still-struggling Cottrell approached him, and he bought the company for just \$1.8 million.

By 1999, the CTI/Fastair group, as it had been renamed, had about \$100 million a year in revenue and more than 600 employees. And Virmani then made the most important connection of his life.

That year, Houston-based Jim Crane, the founder and head of Eagle Global Logistics, came calling. At first, Crane proposed an agency agreement—each would be the other's agent in their respective countries. "But after two hours, he said, basically, 'Screw the agency agreement. I want to buy your company,'" Virmani says. "And I said, 'This is my baby. It's not for sale.' And he said to me one line that kind of fully registered with me: 'Businesses are never your babies. They're always for sale. It's a matter of price.'"

A week later, Crane flew Virmani down to Houston, his first time on a private jet. Crane asked him to name a sale price, and Virmani wrote down \$60 million. "Jim crossed off the \$60 million, put another \$20 million on top of it and signed it," Virmani says. He agreed to stay on as CEO for a salary of \$500,000 plus performance incentives.

The two formed a lasting friendship,



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and Crane eventually became chair of Cargojet in 2018. “Ajay is a doer; he’s an entrepreneur,” Crane says. “We have the same business perspective.”

Even so, Virmani soon got restless after Crane bought CTI/Fastair, and in 2001, his mentor amicably agreed to let him go. In addition to an entrepreneurial streak, Virmani had developed a vision. There were some big brand names in the Canadian air freight market, but none had more than three or four of their own planes. And their OTP was often terrible—as low as 70%.

What if all those companies, and their big air cargo customers, shifted their business to one carrier, thereby bringing “economies of scale, better service and better price?” Virmani asked. “And everybody laughed at me: ‘You’ll never get this done in your lifetime.’”

They were wrong. Cargojet was about to be born.

Virmani’s timing could hardly have been worse. In 2001, he negotiated a deal with Canada 3000, an upstart airline that had prospered in the 1990s and had 42 passenger planes. Virmani invested \$10 million in the company to own the so-called belly space intended for cargo in those planes, and that August a joint venture, Canada 3000 Cargo Inc., was launched.

A month later, 9/11 hit and air traffic evaporated worldwide. In November, Canada 3000 went bankrupt. Yet, as Jamie Porteous, a former Air Canada executive who was one of Virmani’s original partners—and Cargojet’s longtime chief operating officer—recalls, “We were both still confident.”

So Virmani doubled down and spent \$2 million to buy the cargo operation out of bankruptcy and put in another \$10 million in working capital. But it still wasn’t enough. “I had \$3 million worth of gas bills on my Amex,” he says.

As he often has, Crane stepped in with much-appreciated guidance—and a cheque for the \$3 million. “I believed in Ajay and his vision,” Crane says. Once other couriers realized Virmani was offering them a lower price, better service, and the ability to upsize and downsize their air freight shipments easily, “there was no way any customer would refuse,” Crane says.

He also gave Virmani a valuable tip. Crane had been a partner in Miami Air, which was drowning in a post-9/11 slump in which airlines had parked

hundreds of planes. Miami Air had four new cargo planes with a book value of \$8 million apiece. “Offer them \$700,000 each,” Crane said.

Virmani couldn’t believe that, but the company accepted \$800,000 per plane. “I paid 10 cents on the dollar,” he says.

As Virmani plunged ahead after 9/11, he had the elements in place that have served his airline ever since: the relentless focus on OTP and a committed team of managers and employees. “We had about 100 employees,” Virmani says. “They said, ‘Look, you don’t have to pay us for three months, six months. We’ll work our butts off and get this company going.’”

So, in 2002, Virmani rebranded it as Cargojet, and the long, steady expansion began. By 2005, revenue had

“He said one line that fully registered with me: ‘Businesses are never your babies. They’re always for sale. It’s a matter of price.’”

roughly quadrupled to almost \$120 million, and the company went public as an income trust on the TSX. “I sent Jim Crane a cheque for US\$15 million—after four years. He was very happy with that,” says Virmani.

But as Cargojet built its customer base, there was more economic trouble. The share price got slammed when Ottawa abruptly cancelled tax advantages for income trusts in 2006. The market crash of 2008–09 and the Great Recession, unlike the COVID-19 crisis, hammered cargo airlines as well as passenger carriers. It took five years for Cargojet’s sales to recover. But the company managed to regain momentum and revenues have roughly doubled over the past five years to \$487 million in 2019.

Two huge wins helped propel Cargojet from major player to dominant force. One was the seven-year \$1.5-billion contract for overnight air parcel delivery that Canada Post and its courier, Purolator, awarded to Cargojet, starting in 2015. The other was the blockbuster alliance with Amazon, announced in August 2019, that gave the global e-commerce giant warrants with the right to buy up to 9.9% of Car-

gojet’s shares if Amazon, in turn, provided Cargojet with up to \$400 million in business within seven years.

But Virmani begs off discussing details of specific big deals and won’t provide contacts’ names. “You know, we’re getting a lot of growth not only from Amazon, but also from companies like Walmart, Costco, Target and Shoppers Drug Mart, and pharmaceutical companies,” he says. Talking about one customer would be unfair to the others.

As much as the pandemic has boosted Cargojet’s fortunes, the outbreak will likely ease and end soon. So what will the company do to keep growing?

For one, Virmani and his team are counting on the lasting growth of e-commerce revenue. For years, Canada lagged behind other countries. Before COVID-19 hit, e-commerce accounted for about 7% of Canadian retail sales, well behind the U.S. at 11% and the U.K. at 20%. In the second quarter of 2020, those numbers spiked to almost 13% in Canada, 16% in the U.S. and more than 30% in the U.K. Even if Canada drops back to 7% after the pandemic but keeps growing, “the numbers get pretty huge pretty fast,” says AltaCorp’s Chris Murray.

The financial turmoil and fallout from the pandemic could also benefit Cargojet for years to come. Before COVID-19, some analysts were concerned about its long-term debt load, which had more than doubled since 2015 to pass \$500 million in late 2019. But Cargojet has since reduced it by more than \$100 million, and the pandemic has eased the burden in many ways.

With the collapse in passenger traffic and hundreds of jets now idled around the world, demand for used and new jets has dried up. It’s a buyers’ market. Cargojet had already been modernizing its fleet for years: phasing out 727s by 2019, and continuing to shift to 757s and 767s. That shift may accelerate.

Of course, Virmani could be bought out at some point. He and his family own about 10% of Cargojet’s stock, and he’s sold companies before. “I wouldn’t have grown this big if I’d not gone public, and had access to the markets and exposure,” he says. “It’s one of those things, you know—you need to grow the business.”

But it’s very hard to see anyone else as CEO. Virmani is still having fun running Cargojet—a lot of fun. ●●●

CONGRATULATIONS

On behalf of MLSE, congratulations to Dave McKay and Ajay Virmani, as well as all winners, on their accomplishments and being named winners of the 2020 Globe and Mail CEO of the Year Award.

MLSE





GLOBAL VIGNETTES

CEO OF THE YEAR

Sean Boyd

Vice-Chairman and CEO,
Agnico Eagle Mines Ltd.

Built an international operation through execution and results, instead of bombast
By Niall McGee

In the early days of the pandemic, Sean Boyd, CEO of Agnico Eagle Mines Ltd., faced one of the greatest tests of his career. Due to government-mandated lockdowns in Canada and Mexico, seven of the company's eight gold mines were shuttered. With the crisis intensifying, Agnico's stock was getting hammered. Canada's second-biggest gold mining company quickly came up with physical-distancing protocols for its mines. But if it had any hope of actually reopening, it would need to find a way to test its workforce for COVID-19, particularly in Nunavut. The territory's Inuit community was especially at risk, due to a history of lung disease and the fact that the population often lived in crowded quarters.

The team had a plan, but Boyd wasn't sure it would work. "I was somewhat

skeptical," he says. "No one was able to get testing. The governments weren't even able to get testing."

Agnico reached out to world-renowned infectious disease specialist Dr. Gary Kobinger, who co-developed a vaccine for Ebola. Kobinger helped the company set up a reliable same-day testing facility in Nunavut. Three weeks after the shutdowns—and with the blessing of various provincial governments—Agnico's Canadian mines were allowed to start up. By early summer, the company was up and running again in Mexico as well. Because of the ongoing risks of COVID-19 spreading into the Inuit community, Agnico's entire Nunavut-based workforce of roughly 450 remains at home with 75% pay, replaced for now with contractors.

"We need them back—we want them back," says Boyd. "But at a time and in a way that it's not going to put the communities at risk, and we'll bear the cost until we get those conditions."

Agnico's reaction to the COVID-19 crisis demonstrated how it has confronted setbacks through its more than five-decade history. From facing investor heat over a takeover deal to tackling equipment shortages in the Arctic, Agnico's approach has been the same every time: Take responsibility, plan meticulously and follow through.

It's a strategy that has also created tremendous wealth in an industry better known for destroying it. No other Canadian gold mining executive has created more value over the long term than Boyd. When he became CEO in 1998, Agnico was a small regional company, with one Quebec mine producing about 250,000 ounces of gold. Its shares traded around \$6. Last year, the company produced 1.8 million ounces of gold from operations in Canada, Mexico and Finland. In September, the stock hit an all-time high of \$114, a return of 1,800% during Boyd's tenure.

Agnico grew, not by making blockbuster acquisitions of already built

Photograph by Markian Lozowchuk

mines, as many of its competitors did, but by acting carefully and methodically. It made smaller acquisitions of early-stage projects, which it subsequently engineered into mines. An accountant by training, Boyd made sure the company never took too big a swing on an acquisition.

"You have to ensure you're not taking on excessive total risk," he says, "so that when you get hit with something that comes out of left field, you can manage through it."

Over the long term, Agnico has left all of its senior Canadian gold mining peers in the dust. Barrick Gold Corp.'s shares are trading some 35% below their peak—felled by a disastrous hedging policy, ruinous acquisitions and a loss of US\$8 billion incurred while attempting to build a giant South American mine it ultimately had to kibosh. Kinross Gold Corp. is even further behind, with its stock about 55% below its pinnacle. A decade ago, Kinross paid US\$7.1 billion for an acquisition and subsequently wrote off almost the entire amount. In the meantime, Goldcorp Inc., which blundered its way through one bad acquisition after another, and experienced repeated technical problems at its mines, was sold at a 90% discount to an American competitor last year.

"Much of their ability to outperform the group is not necessarily about making the right decisions but avoiding the wrong decisions," says Josh Wolfson, gold mining analyst with RBC Capital Markets, of Agnico.

Still, no amount of planning can ever take all of the risk out of mining. Over the years, Agnico has had its stumbles, too. In the early 2000s, a section of its LaRonde mine in Quebec started to collapse in on itself after a significant rock fall. Agnico's stock got creamed, and Boyd was confronted by an angry analyst on a conference call. "He led the question off with, 'I'm not exactly calling for a public lynching, but you need to do this, this and this,'" says Boyd. "In those cases, the market has the right to be upset because we haven't performed, but it's really how you bounce back from it."

At LaRonde, Agnico re-engineered the mine, eventually turning it into a success. It was a similar story at the company's Goldex mine, also in Quebec. In 2011, Goldex encountered serious stability problems underground, forcing Agnico to halt mining for roughly two years. But again, it was

able to engineer its way out of trouble.

"They had their problems, and they didn't get a lot of love from the market during that period, but they came back strong," says Sean Roosen, former CEO of Osisko Mining Corp., which sold its Malartic mine to Agnico and Yamana Gold Inc. in 2014.

Having an in-house engineering department is a big reason Agnico is able to safely navigate through technical problems. By not relying on external contractors, as many of its competitors do, Agnico can closely monitor the quality of mine construction and respond better when things go wrong.

"They just do a layer of detailed work that is above and beyond what other companies do," says Robert Cohen, a portfolio manager with 1832 Asset

"I would classify him as a classic grinder. When things get tough, he gets tougher"

Management. "They are engineering these things to the nines, being really careful, every step they take."

Agnico has also taken its deliberate approach to deal making, figuring out how much an asset is worth before going after it. Then it doesn't budge—even when under tremendous pressure to do so. After Agnico offered a 30% premium for a Swedish gold company in 2005, a group of hedge funds that controlled 40% of the shares refused to tender unless the offer was sweetened. Boyd repeatedly extended the offer, slowly accumulating shares, but the hedge funds still wouldn't cave. Seemingly backed into a corner, Agnico discovered a clause in the Stockholm stock exchange rules that allowed it to take the Swedish company private with only 60% of the shares—a nightmare scenario for the hedge funds, which wanted to cash out right away. When word got back to one of the ringleaders, he made a panicked call to Boyd.

"It's this hedge fund guy who's been pestering me all summer to raise the bid," he says. "He's saying, 'You got to help me. You got to help me.'"

"What are you talking about?" Boyd asked him.

"You just got to bump the bid," the guy replied. "I need it to save face. Even five cents or 10 cents."

"Buddy, there's no way. That's it. You're not getting anything out of me," Boyd said.

The hedge funds relented and tendered their shares to Agnico at the original offer price.

Over the decades, the Canadian mining industry has been run by its fair share of hard-charging alpha males: Peter Munk, Robert Friedland, Bill James, Clive Johnson, Mark Bristow. In a western, they'd be the ones brandishing their pistols and firing first. Boyd, by comparison, is a much cooler customer. Showdowns with hedge funds aside, he's far from the stereotypical loud, braggy mining CEO. The low-key approach runs deep at Agnico, cultivated by founder Paul Penna, who ran the company for three decades until his death in 1996. In the early days of Boyd's tenure, Penna used to send him to give clothing and money to the homeless near the office. Far from flaunting his wealth, Penna drove around in a 10-year-old Chevy Caprice. The modest style struck a deep chord with Boyd, and it continues to this day. Unlike many of its peers, which have opulent headquarters in the heart of Toronto's financial district, Agnico's digs are humbler in scale and located on the sleeper east side of the city.

"At the end of the day, we're dealing with other people's money. We have a responsibility to be very responsible," says Boyd. "We let our results ultimately do the talking—not just how we perform financially and on the stock market, but also the work we do in the communities and how we treat and engage our employees."

Still, underneath his gentlemanly manner lies a torrent of ambition. Much like the famously self-effacing superstar tennis player Rafael Nadal, there's a quiet fury about Boyd.

"I would classify him as a classic grinder," says Roosen. "When things get tough, he just gets tougher."

When Agnico's share price crested above \$50 in 2006, Boyd popped a bottle of champagne and kept the cork. He did the same in July of this year, when the stock traded above \$100. His next target is \$150 a share. With gold once again in a roaring bull market, underestimate him at your peril. ●●●

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CEO OF THE YEAR

Christy Wyatt
 President and CEO,
 Absolute Software

Defined the company's strategy by focusing on what makes it unique
 By Joe Castaldo

When Christy Wyatt became CEO of Absolute Software Corp., she realized few people outside the cybersecurity company seemed to understand what it did. One shareholder would ask why Absolute wasn't more focused on profitability; the next would want to know why the company was so focused on profitability. Some peppered her with questions about services Absolute no longer offered.

The firm was undervalued on the stock market in her view, too. "It was very confusing to me, because here was a company that was just shy of \$100 million in recurring revenue, was profitable and was paying a dividend," Wyatt says. "So why was this company not getting the credit I thought it deserved?" Absolute's scattershot approach in the past has something

to do with it. The Vancouver-based operation had gone through several iterations since it was founded in 1993 and hadn't done enough to differentiate itself from its competitors. Somewhere along the way, Absolute's story got muddled.

In her two years at the helm, Wyatt has brought a renewed focus, zeroing in on what makes Absolute unique and improving the messaging to customers and investors. She's the rare executive who has both a background in technology and the ability to talk about it in a way people can understand. Wyatt, 48, rarely lapses into jargon and catches herself when she does. And her work is starting to show results. "From a financial perspective, we've seen margins jump significantly in a very short period of time," says David Kwan, an analyst at PI Financial Corp. Profit margins have grown to around 10%, and revenue was up 12% between fiscal 2018 and 2020. The company has added about 1,000 customers since Wyatt joined, bringing the total to 13,000.

Those metrics are important, of course, but Wyatt measures the company by what it's doing for its customers. That approach helped her determine which priorities to tackle when she arrived in November 2018. Absolute got its start tracking lost and stolen laptops, but the value of that service waned as laptop prices fell and information moved to the cloud, so the firm pivoted to securing data. Starting in the 2000s, Absolute began working with manufacturers, such as Dell and Lenovo, to directly embed its products into devices, making it nearly impossible to remove. Its software is on some 500 million devices to date but is only activated when an organization decides to become a customer.

That affords Absolute some unique advantages, though it took time to fully realize that strategy. Any employee laptop or desktop contains numerous security applications and other tools, but those apps can fail, go offline or miss important updates. Absolute can detect if something is off, and remotely repair or reinstall an application—without requiring an IT manager to physically access the device.

The concept, which Absolute refers to as self-healing, wasn't new when Wyatt arrived, but it also wasn't front and centre. "It had been announced as a feature along with 50 other features when I came in to the company," she

Photograph by Lucas Oleniuk



says. In her view, there are three ways a company can stand out: It can be the first, it can be the best, or it can be the only. It was obvious to Wyatt that Absolute's self-healing feature was unique—and that it should be prioritized.

The focus has resonated with analysts and investors. "Christy very quickly realized that its privileged position could be leveraged to do a lot more than what Absolute had done previously," says Doug Taylor, an analyst at Canaccord Genuity.

Wyatt's entrance into the tech industry was a bit of a whim. She grew up in Coldstream, B.C., about an hour's drive north of Kelowna, and married young to a man in the Canadian military. They ended up on the east coast, and Wyatt started to think about going back to school. The nearest university was about two hours away from her home. She toured the school one day with a friend, and on the way back, drove past the Centre for Geographic Sciences, part of Nova Scotia Community College. Located in Lawrencetown, the school was much closer to where she lived. Wyatt asked her friend about it, who told her the school was only for smart kids. "That's just the sort of comment that makes me go, 'Wait, hold on a second here,'" Wyatt says. She called the school the next day, and at 19, enrolled in a program called scientific computer programming, despite having no coding experience.

On one of her first days, the students gathered in an auditorium while an instructor warned that some people wouldn't make it through to the end of the program. Wyatt felt especially self-conscious; not only did she lack the technical background of some of the other students, but she was also one of the few women in the room. Still, the foreboding diatribe was invigorating. "That fired me up. By Christmas, I was doing fine," she says.

Wyatt took a job with Sun Microsystems in Markham, Ont., in 1995 and was asked to relocate to Cupertino, Calif., to help roll out Java, the company's new software platform. She ended up staying in state, completing stints at Apple and Motorola before taking on her first CEO role at a company called Good Technology in 2013. "If you had asked me when I first moved to the Valley, whether I would eventually be a CEO, I probably would have been too humble to say yes out loud," she says. When she was initially approached

about the job, she said no. Good's outgoing CEO, King Lee, later cornered her at an event and laid out the reasons he wanted Wyatt to be his successor, including her experience with corporate customers. With that nudge, she said yes.

Good provided services to help corporations and other institutions manage the smartphones and tablets used by employees, and it competed directly with BlackBerry in that market. The two had a tense relationship; BlackBerry would cattily annotate and "fact-check" Good's news releases. But in 2015, BlackBerry ended up purchasing its rival for US\$425 million. "It was bittersweet," Wyatt says. "I felt like we landed the plane, and that was not an easy task. But did I love it? No, I didn't."

Afterward, she took a year off to spend time with her family (Wyatt has two adult children from her first marriage and later adopted two young children after remarrying) and returned to work as CEO of a cyberintelligence firm called Dtex Systems in 2016. It wasn't long before Absolute approached her.

The company's board of directors wanted to find someone to boost growth and do so profitably, which required an understanding of both product strategy and sales, and experience with enterprise clients. (Absolute had been skewing more heavily toward the education sector.) "We weren't growing fast, and we were inconsistent," says Daniel Ryan, chair of the board. "It was not very long into my time with Christy when I came to the conclusion that she was the first person I met that really does check those boxes."

The pandemic has opened up new opportunities for Absolute, but when it hit, Wyatt was immediately concerned about existing customers. Corporations had to determine which devices had been taken home by employees, and then it had to figure out how to manage them. To help, Absolute offered customers a temporarily free feature that allows them to remotely address any vulnerabilities.

There is no clear end in sight for our work-from-home reality, and many organizations are starting to realize the importance of being able to remotely secure and manage employee devices—everything Wyatt has been talking about for two years. "All of that just validates that this is the moment," she says confidently, "and we're incredibly well-positioned." ●●●

CORPORATE LEADER

CEO OF THE YEAR

Dave McKay
President and CEO, RBC

Spoke up for small business—and the economy—in the middle of a pandemic
By James Bradshaw

In the frenetic early months of the coronavirus pandemic, the CEOs of Canada's big banks privately huddled together at least twice weekly with central bankers, regulators and government officials. Their calls helped policy makers take the economy's pulse and allowed the country's top bankers to weigh in on how relief programs could be built at breakneck speed to prop up reeling businesses and households.

At the same time, Royal Bank of Canada CEO Dave McKay was making his case to anyone who would listen in interviews, opinion pieces and posts on LinkedIn. "We can't screw this up," he warned in an April interview with The Globe and Mail. He urged governments to make more business loans partly forgivable, suggested a system to pace the reopening of shuttered

Photograph by Wade Hudson



businesses, and pressed Canadians to embrace smartphone-based tracking to control COVID-19 outbreaks and even to wear masks.

Bankers and policy-makers “didn’t always agree on what would be the cause and effect of various policies. And we had, I think, healthy debate over March and April,” McKay says. “Sometimes our ideas were listened to and were incorporated into policy... and sometimes they weren’t. But I think that’s part of the process—that you’re at the table, and you have a perspective.”

As the head of Canada’s largest bank, McKay already had his hands full navigating an economic calamity. But he says he felt a weighty responsibility to translate the deep insights RBC gathers about its clients across the country—from large corporations to individual households—in a way that could influence policy. He has pressed his case for causes that matter throughout his tenure and has not shied away from the bully pulpit in a time of crisis.

“I do get nasty responses,” he says, most often when opining about the future of the energy sector. But speaking to a wider audience helps him get policy-makers’ attention, allowing him “to poke and prod a little bit, to say, ‘Here’s an opinion I feel really strongly about, and you may or may not have listened,’” he says.

“He has opinions, and he’s not scared to communicate them,” says Michael Medline, CEO of Empire Co. Ltd., which owns grocery chain Sobeys Inc. “You know, some of these things you look back on and think, *Oh yeah, of course he could do that.* But they were courageous at the time.”

Since McKay took over as RBC’s CEO in 2014, he has worked to shift the bank’s approach to corporate citizenship. “We were really kind of a shareholder maximization organization,” he says, and he wanted to balance investors’ interests more evenly with the needs of the bank’s clients, employees and the communities in which they work.

When McKay first presented this softer style of capitalism to the bank’s most senior leaders early in his tenure, it struck some as radical. “I saw some people almost fall off their chairs,” he says. “Like, ‘What’s he talking about?’”

The bank’s investors can hardly complain: RBC leads Canada’s Big Five banks in total returns over the past five years. And it has so far weathered the crisis better than many institutions.

“While his company is big business, his mindset is to take care of small businesses. He is probably Canada’s most vocal spokesperson for SMEs”

Even after setting aside \$3.5 billion over two quarters to absorb potential losses and deferring payments on \$60 billion in loans, RBC has maintained robust capital reserves and saw its third-quarter profits rebound to \$3.2 billion—just shy of pre-pandemic levels.

McKay contends the more balanced approach to corporate citizenship allows RBC to focus more on longer-term performance and to tie the bank’s success to progress for all of Canada.

“I think Dave’s actually a policy wonk at heart,” says Stephen Poloz, who was governor of the Bank of Canada until early June and now serves as a special adviser to the law firm Osler, Hoskin and Harcourt LLP. “He always thinks of things in that frame.”

McKay also wanted to concentrate the bank’s philanthropy, which he says was “spread like peanut butter across thousands of things.” He remembers watching telecommunications giant BCE Inc. throw its weight behind mental health initiatives to great effect under former CEO George Cope. “Part of that was a learning for me to say we’re not making a big enough difference,” he says. “We’re spending over \$100 million a year, and it’s having an impact. But could we have twice the impact of what we’re doing today? And my team agreed.”

Since then, RBC has focused its giving on preparing a younger generation for a rapidly evolving job market—a mission rooted in McKay’s own experience.

He grew up in Montreal, where his family ran a small lighting and furniture business. When he was 13, his father died and his mother took charge while raising three children. “I had no connections into the business world,” he says. He studied at the University of Waterloo, attracted by its co-operative education program.

His first co-op placement was a coding job in RBC’s technology department. “That’s how I got into RBC, and that was the great democratizer,” McKay says.

His experiences helped shape his conviction in placing RBC’s biggest philanthropic bet. RBC Future Launch is a 10-year, \$500-million initiative that aims to help three million students learn skills, get work experience and

build professional networks. It consumes nearly 40% of RBC’s \$130-million budget for community giving.

McKay has carried that focus on employment and economic opportunity into RBC’s response to the pandemic. In late March, he announced RBC would not cut any jobs in 2020 because of COVID-19. Other banks quickly followed suit; McKay says it wasn’t a co-ordinated effort.

Then, as civil unrest over the killing of George Floyd by a Minneapolis police officer sparked a wave of awareness about systemic racism and bias, RBC was the first of several banks to set more ambitious targets for diversity and inclusion. McKay acknowledged the bank’s own blind spots, pledging that at least 30% of new hires and promotions to executive roles will be visible minorities. The banks also earmarked \$100 million in loans for Black entrepreneurs.

And as a second wave of COVID-19 infections spreads through some of Canada’s largest provinces and cities, McKay has been vocal about the need to protect small businesses, arguing there is no more urgent priority than for governments and business leaders to safeguard the country’s long-term health. “While his company is big business, his mindset is to take care of small business,” says Calin Rovinescu, CEO of Air Canada. “He is probably being Canada’s most vocal spokesperson for the SME sector, and that is pretty unique.”

In late August, RBC co-ordinated a three-day initiative called Canada United, backed by 70 corporate brands and 44 municipalities, that promoted local businesses and raised \$14 million for a relief fund that provides \$5,000 grants to help cover fixed costs and the shift to digital sales.

Now he’s looking to rally corporate Canada once again and build a sustained initiative to help small businesses through the recovery.

“Main Street is what makes this country go. They are being left behind. They don’t have infinite resources to sustain themselves for a long period of time, and we need to do something,” McKay says. “This is important for Canada.”





OF THE YEAR

Murad Al-Katib
President and CEO, AGT Food and Ingredients Inc.

Turned the humble lentil into a cutting edge product—and a global export
By Jason McBride

In the early days of the pandemic, when toilet paper and hand sanitizer were hastily hoarded and meat suddenly in short supply, grocery store shelves continued, nonetheless, to groan with bags of lentils, cans of chickpeas, and jars of

black beans. Cheap, versatile and shelf-stable, beans were the perfect food for our emergency moment, and there seemed to be no shortage of them. At my house, our COVID cooking went in a related but somewhat different direction. We started regularly experimenting with Beyond Beef crumbles, a veggie ground meat that, it turns out, is a fine replacement for hamburger in tacos, bolognese and shepherd's pie. Its chief ingredients? Yet more legumes—peas and mung beans, to be precise.

Watching all this with interest, from his perch in the Prairies, was Murad Al-Katib, the CEO of AGT Food and Ingredients. Regina-based AGT is one of the world's largest suppliers of pulses in the world, with 2,000 employees and manufacturing facilities in Western Canada and Quebec, the U.S., Turkey, South Africa and Australia. It supplies the peas that go into the popular Beyond Meat burger, as well as the products that make up Taman, Loblaw's large line of Middle Eastern foods. But like everyone, Al-Katib was horrified by the loss and devastation wrought by the pandemic, and he was particularly concerned about what it meant for the global food supply. Suddenly, supply chains—rail, shipping—were gripped by delays. Where it would normally take a courier an hour to get payment to a bank, with everyone abruptly working from home, those payments now took days. Imminent product launches were shelved. Al-Katib had to temporarily lay off 75 employees at his head office. COVID-19 cases popped up at AGT plants in Alberta and Quebec. Especially in the confusing, ever-shifting spring, the future was uncertain.

But since founding AGT in 2007, Al-Katib has made it his mission to make Canadian agriculture more resilient, nimble and sustainable. And, it turns out, even in the face of an unprecedented health crisis, it more or less was. The feds deemed agriculture essential and, after some initial hiccups, food kept moving. Restaurant orders dried up during the lockdown, but AGT had spent the past four years strengthening its ties to retailers, and global retail demand for those products boomed. "We essentially sold out the crop this year," Al-Katib says. "The pandemic soaked up our available pulses, durum wheat, milling wheat and canola."

AGT was able to meet that demand in the spring, but by summer's end, things started to get very tight. It was,

Photograph by Aaron Fong

for Al-Katib, a good problem to have. “What we’re seeing now,” he says, “is very good performance for the agriculture sector in Western Canada this fall. When supply depletes, prices go up and farmers plant more. And, ultimately, markets re-regulate. That’s the way the world works.”

Indeed, even when the pandemic finally passes, and life returns to some form of normalcy, pantries will still be packed with pulses. Current global demand for protein is expected to double, to 943.5 million metric tons, by 2054, with the market for alternative proteins, including plant-based ones, anticipated to grow by 14% annually by 2024. Just two years from now, the plant-based protein market alone is expected to reach US\$10.8 billion. When the federal government launched its supercluster industry development program in 2018, one of the five programs was dedicated to plant-based proteins. “Murad has been a real beacon,” says Frank Hart, the chair of Protein Industries Canada. “In many ways, the supercluster concept, in how it applies to plant proteins, was his vision.” The technology and techniques the industry developed in recent years, he adds, “have elevated Canada’s agriculture brand internationally.” This past June, along with the likes of Suncor’s Mark Little, Al-Katib was named to the federal government’s Industry Strategy Council, designed to guide the economy out of the long shadows of the pandemic.

In the early days of his company’s success, Al-Katib was routinely dubbed “The Lentil King.” It was a cute nickname, but it didn’t fully capture the scope of AGT’s operations or, indeed, Al-Katib’s ultimate ambition. “This is a trend Canada has not only been participating in but driving,” he says of the explosion in the industry. “If this is the century of agriculture, and many people believe it is, this is Canada’s century.”

◆

The Lentil King was born in 1972 in Davidson, Sask., a hamlet exactly halfway between Regina and Saskatoon. Davidson had about 1,200 people then, and it has about 1,200 people now. Al-Katib’s father, Fatih, was a doctor in England and decided to emigrate to Canada—sight unseen—lured only by a name, Meadow Lake, Sask., that he’d seen in a medical journal. (“It sounded like paradise on Earth,” Murad says.) But Meadow Lake was in northern Sas-

katchewan, not exactly the paradise he’d anticipated, and after a year, the family moved south, to Davidson. They stayed for 34 years, with Fatih the town doctor and Murad’s mother, Feyhan—who didn’t speak English when she arrived in Canada—becoming first a municipal councillor and then the town’s mayor.

Fatih came from a long line of doctors, and it was expected that his sons (Murad has an older brother, Omer) would follow suit. Or, if not doctors, then farmers. After moving to Davidson, Fatih started buying up land and, by the 1980s, the family had about 2,800 acres. It was a tough time to be a farmer, though—a boom-and-bust economy and historically high interest rates threw the industry into a long, deep recession. And Murad had his sights on other ventures anyway. When he was just four, he started his first business, reselling the bubble gum he picked up on family vacations to Turkey.

Murad loved Davidson and never really wanted to leave. And when he did finally go—first to the University of Saskatchewan and then for an MBA at the Thunderbird School of Global Management at Arizona State—he wasn’t gone for long. While on contract at the Canadian embassy in Washington, he wrote a letter to Roy Romanow, then premier of Saskatchewan. The province was in an economic slump, and Al-Katib, all of 23 years old, knew how to fix it. Emerging markets were the future of Canada, he told Romanow, with consumption in those markets poised to dramatically outpace traditional one. Those emerging markets needed, indeed *demand*ed, the natural resources Saskatchewan had—the potash, the uranium, the oil and gas, and the agricultural products. All the province needed was an active and deliberate strategy to develop those markets. Frank Hart, then Romanow’s deputy minister of trade and economic development, was impressed. “There was a real move afoot to galvanize the private sector and figure out what we could do differently,” Hart says. “Then Murad came along with a good idea, and a lot of passion and dedication. I found it really refreshing to see someone with that vision and energy.” Hart hired Al-Katib, putting him in a new public-private partnership, the Saskatchewan Trade and Export Partnership.

At the same time, agriculture in the province was in the midst of its own transformation. For decades, Saskatchewan farmers primarily grew oilseed

and cereal crops. But canola strips micronutrients from the soil, and traditionally, after every season, the soil needs both rest and great quantities of nitrogen fertilizer. On the other hand, legumes—peas, lentils, chickpeas—naturally add nitrogen to the soil. Rotating in legumes allowed farmers to “continuous crop,” growing three crops in three years rather than two crops. Not surprisingly, this no-till agriculture took off, and suddenly Saskatchewan was growing a lot of legumes. The only question was, Who was going to buy them?

Al-Katib’s answer was, as usual, emerging markets. Turkey wasn’t just a place to buy exotic bubble gum. It was also a country that consumed a lot of lentils and chickpeas. Plenty of other countries did the same. And with the populations of those countries growing, the only healthy, sustainable way to feed them was through plant-based protein. (Animal-based foods are more resource-intensive than plant-based ones, with beef, for example, requiring 20 times more land and emitting 20 times more greenhouse gases per gram of edible protein than beans, peas and lentils.) The world was on the cusp of “a vegetable protein revolution,” Al-Katib says. “You couldn’t ignore it.”

Canada also had the water and land these countries didn’t and, increasingly, because of climate change, a longer growing season, too. It could be a bigger supplier of food to the world. But getting the world to buy Canadian pulses required a fundamental change. Our lentil production was growing, but the lentils we shipped were dirty, unprocessed, undesirable. Processing them here first would make them easier to ship and more versatile. And if nobody in Canada was doing that processing, Al-Katib thought, maybe he could do it himself.

Armed with what he calls his “Davidson Turkish,” Al-Katib approached the Arslan family, then one of the largest importers of pulses in the world and owners of the Arbella pasta company, and convinced them to bankroll a pulse-processing company in Regina. In 2001, with his wife, Michelle, six months pregnant with twins, Al-Katib quit his job. Two years later, that first plant opened under the name SaskCan. With agriculture giants like Cargill just starting to explore such crops, Al-Katib quickly criss-crossed the province, signing up suppliers and building acre-



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age. In similar fashion, he scoured the globe, forging relationships in markets like Cairo, Dubai, Karachi and Mumbai, and links between what he calls “the Canadian protein highway and the Silk Road in Asia.”

Two years after the initial plant opened, the company had 100 employees and was exporting \$40 million worth of product. By 2009, it had \$300 million in revenue. Many name changes later, SaskCan became AGT in 2014. Along the way, the company grew bigger than Arbella, the Turkish company that had given AGT its start, and it bought Arbella out. “The car was full of gas,” Al-Katib says, describing the industry in the early days. “It had a heavy engine and a lot of horsepower. But there was no driver. So I jumped in the driver’s seat and I started to drive.”



Al-Katib and I spoke over Zoom in early October, he at his Regina headquarters, me in Toronto. In person, he’s a mountain of a man, balding, with a ready, reflexive smile. On Zoom—well, everyone’s about the same size on Zoom, but nonetheless, Al-Katib still seemed larger than life. For an hour and a half, he spoke quickly and almost without interruption, recounting his basement-to-billions origin story, one he’s told a thousand times, with surprising zest. When he talks about pulses, he does so with an enthusiasm most people reserve for their favourite pop songs.

His outsize personality has served him well. Eric Bartsch, who has been with AGT since the beginning and now runs its global food ingredients division, describes with some awe Al-Katib’s continued connection to his customers. “Typically, when a CEO comes to a food show, it’s basically a photo op,” Bartsch says. “But when Murad comes in, he’ll stand at the booth, greeting customers—from students to CEOs—talking with them about pulse crops, asking questions, trying to understand what the trends are. I think that helps him understand and shape the direction the company should go in.”

Al-Katib’s plan was always to find non-traditional uses for his products, even as traditional uses continued to expand. Growing up, he was the only kid with hummus in his lunch box, but he happily watched as societal tastes changed, and an enormous market for healthier, high-protein, high-fibre foods emerged. He describes his own daugh-

ter, 18-year-old Serra, as “a model consumer” for AGT—intelligent, socially conscious, concerned about the environment. “She wants to know right now where her food came from and its impact on the world,” he says, “and she wants to feel good about consuming that product.” To reach such customers, Al-Katib launched an R&D program and food development centre in 2013, and found a Turkish food scientist in North Dakota to run it. They built a \$15-million “deflavouring” system that uses heat and cold to remove the beany taste of their pulses. That meant the flours, proteins and fibre derived from them could be used in pasta, cookies, artificial and analogue meats, and even a gluten-free, pea-based “bread crumbs.” “We wanted to make, or contribute to making, foods that kids want to eat and moms want to buy,” Al-Katib says. “If you could do that, ultimately, you’d be successful.” Meanwhile, other companies, like Beyond Meat, Maple Leaf Foods and Ripple, found similar success with their extremely popular faux meat and dairy alternatives, all launched around the same time and all also using processed peas from AGT. With Loblaw, the company manufactured a line of children’s vegetable pasta and recently struck a 20-year agreement to collaborate on the grocery chain’s Middle Eastern foods brand, Taman. (“Taman” means excellent or amazing in Turkish and several other languages.) “Murad’s been a great partner for Loblaw,” says Loblaw president Sarah Davis. “He’s very dynamic, very innovative, very ambitious.”

Like any startup, however, AGT encountered its share of setbacks. The company went public in 2007, just in time for the Great Recession. The convulsions of the Arab Spring made, for a couple of years, some of AGT’s key territories—the Middle East and North Africa—extremely challenging markets to do business in. In the wake of Trump’s election, there was, in Al-Katib’s words, a “whole nationalist, protectionist sentiment going on around the world.” India, with a protein-deficient market that AGT had really started to target, increased its import duties on pulses. In May 2016, AGT stock was trading at \$42.05, but by the following year, it had plummeted, and its third-quarter earnings in 2017 were its worst in five years.

That same quarter, however, the company’s balance sheet received a noteworthy shot in the arm: Fairfax Finan-

cial purchased \$190 million of preferred shares in the company. “You don’t have to be a genius to know that when someone’s created a \$2-billion company from scratch, there’s something special there,” says Prem Watsa, Fairfax’s founder and CEO. “When you examine his track record, you see that he thinks outside the box.” Watsa was similarly enthusiastic about Al-Katib’s successful bid in 2019 to reprivatize, with Fairfax and Point North Capital, another substantial investor, retaining their equity positions in the company. “The big advantage of being private is you don’t have to worry about short-term consequences,” Watsa says. “You’re building a company for the long term.”

The long term has been on Al-Katib’s mind a lot lately. He turned 48 in October, and while talking to a friend recently, he realized that in 17 years, they’d both be 65. Seventeen years earlier, they’d been 31. They were no longer at the beginning of their careers, but looking toward the end. And yet, there was still so much to do. Al-Katib likes to talk about a reimagined “agriculture 2.0,” where innovation and technology will dominate. Where, instead of blanket chemical spraying, farmers use drones, cameras and AI to scan fields for weeds, and apply microdroplets of herbicides. Where blockchain technology improves food safety by tracing ingredients right back to individual farms. “Current agricultural production in Canada is in the tens of billions of dollars,” Al-Katib says. “But reimagined, it could be hundreds of billions.”

Reimagined, as the pandemic showed, it could also feed the world more efficiently. Despite its obstacles, India, for example, holds considerable promise. Though it consumes the greatest amount of pulses in the world, with Canada as its second-largest supplier, Indian diets remain extraordinarily deficient in protein. What if they consumed pulse-based foods, like the ones AGT had developed, with twice the protein content? “The ultimate benefit of our innovation,” Al-Katib says, “is to close the protein gap in the world. As we move toward a population of 10 billion, with water and land scarce, we’ll need to more efficiently produce each unit of protein required. We always talk about energy—oil and gas, renewable energy,” Al-Katib says, grinning with his own customary wattage. “We have to remember that protein is human energy.” ●●●



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When David Klein became CEO of Canopy Growth Corp., the New York State resident got an apartment in Toronto. His plan was to bounce between there and Smiths Falls, Ont., where the cannabis producer is headquartered. In March, he was in Toronto as coronavirus cases surged in Canada and the U.S., and authorities mulled a border shutdown. Instead of spending the weekend, he hightailed it back to his home outside Rochester. “I just decided it was starting to get a little dicey,” he says. “I haven’t been back to Canada since, which is not ideal.”

For months, Klein has been running Canada’s largest cannabis producer from the home office he shares with his wife. That he’s stuck in upstate New York, though, is somewhat fitting. That’s where Constellation Brands Inc. is headquartered. The alcohol giant is Canopy’s largest—and most vigilant—investor. It’s the place Klein hails from (he spent roughly 15 years there), along with four other members of Canopy’s 11-person C-suite. And it’s the place from which Klein draws at least some inspiration.

Klein inherited a mess when he took over Canopy in January. It grew too big, too fast, and in all directions. The company’s approach was to be first to market, spend lavishly and dominate. It gained share, but lost gobs of money in the process. Klein himself has been mildly critical of Canopy’s past approach, saying that being first does not amount to a sustainable strategy. He has a background in numbers—his last job was chief financial officer at Constellation—and he has been clinical in shuttering facilities and laying off hundreds of workers in a bid to remake Canopy into a slimmer, more focused producer. Analysts are impressed with his swiftness. “He bit the bullet, to a degree, with a lot of the things that just needed to happen,” says Matt Bottomley, director of equity research at Canaccord Genuity.

But there’s a lot of work to do. Canopy is still bleeding money, its stock

price is down some 60% since legalization, and cannabis remains a commodity product facing stiff competition from the illicit market. Owing to restrictions around advertising and how pot is sold, producers are hamstrung trying to make their products stand out with consumers. A big part of Klein’s plan also happens to generate significant skepticism with some analysts. Canopy is determined to make cannabis beverages a bona fide consumer product in the belief that the public will want to drink their way to a high. With backing from Constellation, which invested \$5 billion in Canopy in 2018, the company built a 125,000-square-foot bottling plant in Smiths Falls capable of pumping out more than five million beverages every month. The first two drinks were released in March and April, and have been followed by a handful more. So far, Canopy has shipped about two million units in total.

Beverages containing THC have been available in some U.S. states for a while, but they account for only a tiny percentage of overall cannabis sales. Canopy believes the market can be much, much bigger and that



beverages will appeal to people unlikely to consider smoking or vaping. Klein, who is partial to Canopy's lemon-flavoured THC-infused sparkling water, admits he could be an outlier in his bullishness, but says, "There are just so many benefits that come from the product, and we can bring those products to people who've been afraid to try them."

If he's right, Canopy could dominate an entirely new category, expand the market for cannabis, slow the cash bleed, and make its largest shareholder very happy. If he's wrong, the worrying question is just how much money Canopy will lose to figure that out.

Canopy started life in 2013 as Tweed Marijuana, and its corporate face was co-founder Bruce Linton. It's hard not to notice the differences between Linton and the guy who replaced him. Linton is a floppy-haired, gap-toothed dynamo who sometimes showed up on television in a black Canopy T-shirt, projecting a weird combination of goofy hockey dad and jubilant stock promoter. His relentless hustle helped turn Canopy into the biggest cannabis

company in the world. Klein is more reserved, opting for the jacket-and-no-tie look favoured by executives wanting to look casual. When he appeared on *Mad Money* a few months ago opposite the steroidal Jim Cramer, he was a study in restraint. He's an athletic guy who pushes himself through long bike rides while pounding energy gels, and whose hair is closely shorn, as if any excess strands would create drag.

Linton has said he has never used cannabis recreationally; Klein is exceedingly careful when answering the question. When in Canada, he finds it "really interesting" to walk into a dispensary and test different products. When he's in the U.S., where recreational cannabis is not legal at the federal level, he's a "big proponent" of CBD products, including a line of gummies Canopy launched with Martha Stewart.

Klein studied economics and got an MBA at the State University of New York, and eventually took a job as director of mergers and acquisitions at Xerox Corp. He and two colleagues hatched an idea for a new business that would provide professional internet services to underserved small and mid-sized companies. The trio quit their jobs to launch a startup in 1999, and while it wasn't a dot-com company per se, it was buoyed by the froth and done in by the pop. "It didn't end terribly, but it didn't end well," he says.

Still, Rob and Richard Sands, the brothers who built Constellation into a beverage giant whose portfolio in the U.S. now includes Corona and Modelo, were intrigued by the story of entrepreneurial grit when they later met Klein. He joined in 2004 as vice-president of corporate development, and over the next decade, made his way

to CFO. Bill Newlands, Constellation's CEO, found Klein was concerned about a lot more than whether the numbers added up. "I always relied on him if I needed good advice, because he thinks broadly about issues," Newlands says. When Klein investigated buying a Mexican brewery a few years ago, Newlands was impressed at how he thought beyond economics, considering how the operation's employees would react to a takeover.

Klein also led a group at Constellation hunting for business lines to complement alcohol, an industry dogged by slow growth. Wine consumption in the U.S. dipped 0.9% in 2019 for the first time in 25 years, while beer dropped 2.3%, marking four straight years of decline, according to research firm IWSR. Constellation's wine and spirits business actually shrank 6.4% between fiscal 2020 and the previous year.

Constellation considered energy drinks, but research kept pointing to cannabis as a way people were managing stress, anxiety and general well-being. While Newlands says Constellation's involvement in the space was not a defensive move, others view legal weed as a threat to the alcohol business. A separate IWSR report last year noted that 37% of alcohol drinkers in states where cannabis is legal also consume cannabis.

Constellation made an initial investment in Canopy in 2017. "That's when the light bulbs went on across Constellation's leadership team and board of directors that this is a place where we want to play," Klein says. It followed up with a \$5-billion investment the next year, paying a 50% premium on the stock.

By 2019, cannabis companies weren't faring well. Legal sales got off to a slow start, owing in part to the glacial rollout of stores and cheaper weed on the illicit market. Stock prices crashed and investors bailed. Constellation executives were fretting over its stake in Canopy, which is now 38.3%. (That October, Constellation reported a US\$839-million decrease in the fair value of its investment.) In July of that year, a few days after Newlands said on a conference call that Constellation was "not pleased" with Canopy's performance, the company announced Linton was

ABOUT AN HOUR AFTER FINISHING THE CAN, I DIDN'T FEEL ANYTHING. I WAS ABOUT TO WRITE IT OFF WHEN I SUDDENLY FOUND MYSELF LAUGHING HYSTERICALLY WHILE READING MY SON'S WINNIE THE POOH BOOK

stepping down as co-CEO. Linton himself dispensed with euphemisms and told reporters he was fired. (Co-CEO Mark Zekulin said he'd resign after a replacement was found.)

The board, of which Klein was then chair, started hunting for a new CEO. He had no interest in the role for himself, but as he was interviewing candidates, he began thinking about it. "I just started to get more excited about what Canopy was," he says. Late in the process, he put his own name forward. For Constellation, having someone they knew and trusted in the role was important, according to Newlands, who also sits on Canopy's board. "We've got a big investment, and we'd like to see it do well."

Klein's arrival was, for some, a chance to take a pause after years of rapid growth. "We got to a place where we had the fundamentals that let us take that breath and really assess where we were," says Rade Kovacevic, Canopy's president. When Kovacevic, Klein and a handful of other executives were delayed at the Calgary airport earlier this year, Klein used the opportunity to start a discussion about what Canopy should look like in the future. "David pushes and embraces those discussions out of a very honest belief that they lead to a better result," Kovacevic says.

The future, at least in the near-term, meant getting smaller. Klein has closed two large greenhouses in British Columbia, which eliminated 500 jobs, and scaled back operations to focus on recreational and medical markets in Canada, the U.S. and Germany. He pulled out of pharmaceutical research and renegotiated a deal with Acreage Holdings Inc., a U.S. cannabis firm, that gives Canopy the right to purchase the company upon federal legalization in the U.S.

Even with those cuts, Canopy's selling, general and administrative expenses totalled more than 100% of sales in the last quarter, miles away from the company's loose target of about 30%. It commands a \$10-billion market cap, but only made \$119 million in revenue in the quarter, with a \$128.3-million loss.

As for when Canopy will turn a profit, Klein demurs, saying the company is working on a "financial algorithm" that will provide more clarity. The company does have the advantage of a sizable balance sheet—as of the end of December, it had \$1.56 billion in cash—putting it in a better position than some of its peers.

Klein still has a slight bias toward growth, he says, and that means turning a profit may depend less on wrangling with costs and more to do with just selling more cannabis. To do that, Klein realized the company needed to better understand its customers, rather than trying to appeal to everyone. He reorganized the C-suite to focus more closely on consumer preferences, installing a chief insights officer (from Constellation), a chief innovation officer (also from Constellation) and a chief product officer (Kovacevic, in addition to his role as president). "You can innovate your product portfolio to very closely meet the needs of those consumers," Klein says.

Some analysts are doubtful any producer can truly set its products apart. This past year, consumers flocked to cheap cannabis flower, which producers see as crucial to battling the illicit market; Canopy introduced its own value brand in the spring. Tamy Chen at BMO Capital Markets wrote earlier this year that the popularity of the value segment shows price might be the only thing consumers care about. "We continue to believe longer-term differentiation and profitability will be elusive for Canopy and the industry for some time," she wrote.

Canopy's approach to CBD products in the U.S. is more promising, says

Owen Bennett, an analyst at Jefferies Group. "This is what investors should be using as a template for what the new management team may ultimately be able to deliver," he says. The company offers products under five different brands, including "wellness gummies" and oil drops bearing Martha Stewart's name; "hydration mixes" under the BioSteel brand; and skin-care "boosters" from a line called This Works. The CBD market is cluttered and fragmented, and research into its effectiveness is ongoing. Not all of Canopy's products may be winners. But Bennett is encouraged by the thought put into branding and consumer segmentation, which didn't happen to nearly the same extent with cannabis in Canada.



The product Klein seems most excited about, though, happens to be the one others find the most perplexing: cannabis beverages. The concept of a drink that gets you high might seem strange at first, but Klein sees it this way: We're all familiar with drinking, but many people view smoking as intimidating or just plain gross. Not only can a beverage produce a high, but it also comes with no hangover and can contain zero calories, depending on the variety. Most important, Klein is confident Canopy's drinks don't taste like bong water.

The explosion in popularity of alcoholic seltzers such as White Claw is proof there's an appetite beyond beer, wine and spirits, in Klein's view. So-called hard seltzers accounted for just 0.9% of the U.S. alcoholic beverage market in 2018, but soared to 2.6% a year later, according to data from IWSR. The research firm expects sales of hard seltzers will more than triple by 2023. Part of the reason for their popularity, says Klein, is they can be flavoured to taste like just about anything—also true of cannabis drinks, which he insists taste better. (Molson Coors has launched a line with Hexo

Corp., while Anheuser-Busch InBev set up a venture with Tilray.)

What's concerning for some analysts is that cannabis beverages have already been available in some U.S. states but make up only a small percentage of total cannabis sales—just 5% of total edible sales in the second quarter of 2020, according to BDS Analytics. “Canopy has been so bullish on the space, when everything we hear in the U.S. would suggest that’s not going to be the case,” says Bennett. (He concedes he could be wrong.) He suggests the money could be better spent on more promising products.

But American companies are constrained, given recreational cannabis is legal in only a handful of states. “The beverage market hasn’t taken off in the U.S. more as a function of regulation and the inability to efficiently produce at scale, given they can’t move things across state borders,” says Rishi Malkani, a partner at Deloitte. Canopy doesn’t have that problem because of Canada’s federal framework. Deloitte estimated last year that the Canadian market for cannabis edibles and other products could someday be worth \$2.7 billion, with beverages accounting for \$529 million, or 20%.

Canopy has so far released nine different drinks. There’s a THC-infused soda water and a ginger ale under its Tweed brand; lemon- and grapefruit-flavoured sparkling waters under its Houseplant label; and a high-THC carbonated drink called Deep Space. In November, Canopy introduced four more sparkling waters as part of its Quatreau brand. (Next year, the company will launch its drinks in some U.S. states through Acreage.)

Canadian regulations limit the THC content in edibles to 10 milligrams, so the odds of someone chugging a drink and ending up incapacitated are greatly reduced. Most of Canopy’s beverages contain 2.5 milligrams of THC or less, which is supposed to mimic the experience of drinking a standard alcoholic drink. Klein says Canopy has paid extra attention to the time it takes someone to feel an effect, too. When cannabis is smoked, THC enters the bloodstream rapidly through the lungs, while edibles take longer. The danger for the uninitiated is they can feel completely fine after half an hour and assume they should take more—only to be knocked on the floor later on. Klein says Canopy’s drinks have an onset time of seven to 15 minutes, similar to alcohol, so that people are at less risk of overconsumption.

But Jason Zandberg, an analyst at PI Financial Corp. in Vancouver, says he’s tried a lot of gummies and beverages available on the market, and has yet to see any of them come close to those onset times. You might feel something at 15 minutes, but the peak high still comes after 45 minutes to an hour. “A lot of companies have tried to fix that onset problem,” he says, “but it hasn’t been fixed yet.”



When Klein talks about a large potential market of people out there who wouldn’t ordinarily smoke cannabis but would be enticed by drinking it, he could be talking about me. I’m well past the age of wanting to inhale anything, but the promise of a beverage that contains no calories, produces no hangover, and can soothe all pandemic-induced anxieties? Yes, please.

I first tried a THC-infused soda from Canopy’s Tweed brand. Unfortunately, it tasted faintly like a skunky Perrier. The Tweed ginger ale was an improvement, though it did carry a mild aftertaste that’s hard to identify. It also contains a full 29 grams of sugar and 130 calories. So much for health and wellness. The best-tasting Canopy beverages, in my opinion, are under the Houseplant brand. The sugar-free, THC-infused sparkling water actually tastes as billed. After a few sips, it’s easy to forget the drink contains any cannabis at all. In fact, it doesn’t have much THC at all—just 2.5 milligrams.

The last one I tried is the dark, syrupy carbonated beverage called Deep Space, which packs the maximum 10 milligrams of THC. The taste is a cross between cola and root beer, though that doesn’t quite describe its confounding flavour. About an hour after finishing the can, I didn’t feel anything. I was about to write it off when I soon found myself laughing hysterically while

reading my son’s Winnie the Pooh book. Zandberg’s criticism of the claims around onset time suddenly felt very accurate.

After I experimented with cannabis beverages, including half a dozen from competitors, the challenges facing the category were more apparent. Most of the drinks in Canopy’s arsenal, including the best-tasting ones, contain little THC. Not everyone’s tolerance is exactly the same, but it could take at least a couple to feel much of anything. Deep Space, the one that delivered, packs 22 grams of sugar. Despite claims to the contrary, the onset time was similar to any other edible—and very unlike alcohol.

It’s possible that cannabis beverages might just be an acquired taste. After all, who among us truly enjoyed beer or wine upon first sip? But for the new user, cannabis drinks require a fair amount of experimentation. You have to find a flavour you like, figure out the optimal dose of THC and determine whether the high is even enjoyable. It takes commitment, and that’s not a word associated with leisure. In the end, it might be easier for some to stick with what they know—or pop a gummy or chocolate in search of a high.

When I asked Chris Edwards about this, Canopy’s chief insights officer didn’t necessarily disagree that consumers will have to experiment, but he doesn’t think they’ll be dissuaded. “We believe this is a pretty compelling consumer proposition. There are just a lot of benefits to cannabis beverages,” he says. Canopy could still make any number of changes, he adds, tweaking the flavouring, packaging or THC content in response to consumer feedback.

So far, Klein is pleased: Early research has shown around three-quarters of consumers who tried Canopy’s beverages would do so again. “That’s very high by consumer packaged goods standards, especially for new-to-the-world products,” he says. Data from the Ontario Cannabis Store shows Canopy had two of the top-selling beverage brands online and three of the top brands sold through legal retail stores between April and June. (Beverages only made up 1.2% of sales during that time.)

It’s a start. But it could be years before drinks make up a meaningful component of sales, if ever. For all his enthusiasm, Klein is hesitant to say just how big the segment could get, though he allows cannabis drinks could eventually account for 5% of the beer market, a US\$110-billion industry in the U.S. “That’s a massive number,” Klein says—\$5.5 billion. It will take millions of cannabis drinkers to get even close to that. Constellation is betting on it. •

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YOSHI SODEOKA

SELECTIVE HEARING

**VOICE RECOGNITION WILL BRING A
MULTIBILLION-DOLLAR LEAP FORWARD.
HOW A MONTREAL UPSTART PLANS
TO COMPETE WITH TECH GIANTS BY
LISTENING TO CONSUMERS**

BY LIZA AGRBA

Earlier this year, I visited the Montreal office of Fluent.ai, a speech-recognition technology company, and played my first round of voice-controlled Tetris. The familiar geometric pieces could be manoeuvred using six vocal commands the game had been trained to recognize: move left, move right, move down, rotate, pause and restart. My feeble Tetris skills were no better than usual, but the system responded flawlessly. Next came a device smaller than my palm, which lit up when it was successfully triggered by a “wake” word, akin to Apple’s “Hey, Siri” or “Okay, Google.” For my demonstration, I tried “шоколад”—a Russian word, “shokolad,” meaning chocolate—to see if Fluent.ai’s technology could learn a random phrase in a new language. Sure enough, four repetitions later, the system recognized the trigger. And unlike the voice-recognition technology developed by tech giants,



Fluent.ai's system required little support to do so. "This works directly on the device with no internet access," says Vikrant Tomar, the founder and chief technology officer of Fluent.ai. "Our system is using 50 kilobytes of RAM, so this is really small—it can live on a remote that runs on AAA batteries."

Tomar's interest in speech recognition is driven by what he perceives as big gaps in the traditional approach to the technology used by major players like Siri or Amazon's Alexa. "Most people in the world are not able to use voice-user interfaces in their native language," he says. "Forget about recognizing someone with a foreign accent." And the systems are too big to run on small devices, meaning they require an internet connection. "I like to joke that we need to get the internet out of the Internet of Things. We can just have smart devices—why do they have to be online?"

Big tech has bet big on voice assistants. They represent the next significant shift in how we interact with technology—following the web in the '90s and smartphones about a decade ago—according to a recent Harvard Business Review report. And the field has developed at breakneck speed: "Voice shopping" alone is predicted to hit US\$40 billion by 2022, up from US\$2 billion in 2017. Amazon, Google and Apple have invested billions of dollars in voice-recognition technology, seeing applications in everything from digital advertising to enhanced search functions.

But Fluent.ai is not playing in the same ballpark as Siri and Alexa. Leaving smartphones and speakers to the big players, Fluent.ai focuses on embedding its technology in small devices like lights, remote controls and appliances. Says Vishwa Gupta, a senior researcher at the Computer Research Institute of Montreal specializing in speech recognition: "They're in a niche market, but I think they'll be very successful."

There's not just a difference in focus—under the hood, Fluent.ai's tech is a huge departure from the big market players.

Traditional voice assistants do their speech processing online: The device picks up on a wake word ("Hey, Siri") and sends the request that follows ("What's the weather like today?") to the cloud, where it then gets converted to text. The system runs the resulting text through a natural-language-processing model, a series of algorithms that converts the text into a command the device can understand.

The process works, but it's not without its shortcomings. For one thing, the required computing resources are much too big to store locally on a device. That means they need an internet connection to work, creating privacy, latency and connectivity issues. And because these systems rely on dictionaries to understand the text, they're limited to languages the system knows—and more often than not, an accent or speech impediment will throw them off.

Meanwhile, Fluent.ai's tech completely bypasses speech-to-text transcription. Its neural networks work on an "acoustic-only" basis: The system learns to recognize words purely from the patterns of sound that make them up and then connects those patterns directly to actions.

The training happens quickly; four or five repetitions are enough to teach the system a new word. And since the networks don't differentiate between languages, they can learn words in any tongue or dialect, along with differences in pronunciation—you could even train them to speak Klingon or Dothraki.

In practice, this means an appliance manufacturer can ship the same voice-enabled laundry machine all over the world without having to change anything about the technology. Users would simply train the product to learn their language once they receive it. (Or, they might not—learning directly from the user is an optional feature that can be available, depending on what a manufacturer requests from Fluent.ai.)

The audio-only approach has its own limitations. It struggles with catalog searches—like seeking out a movie title—since these typically involve a textual database. And since it's not designed to work online, this system is of little help for devices that pull up the weather or tell you the news. But that's not what this tech is meant to do. Instead, think

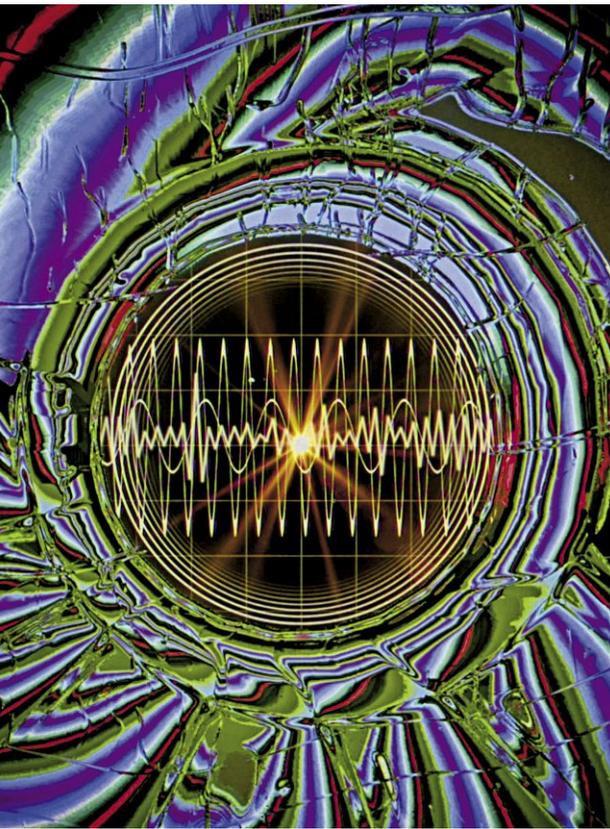
of it powering lights, appliances and wearable fitness trackers. "And since our tech decodes speech as you're talking, it works much faster than assistants that send data to the cloud," says Tomar, adding his company is the only one he knows of that takes this approach.

Why is acoustic-only voice recognition such a novelty? Tomar says it's largely because of the field's origins. "Historically, the first application people saw for speech recognition was in transcription, which obviously involves text. As a result, there's a lot of tech baggage in that area," he says. "There are other reasons, too—for instance, Google wants to send you ads, so there's no real incentive for them to have voice recognition work offline and keep the tech localized on the device."

Privacy is a major selling point for Fluent.ai. Cloud-connected voice assistants have been targeted by privacy watchdogs in recent years. Last year, under pressure from German regulators, Google temporarily suspended its practice of having contractors listen to Google Assistant recordings. Apple has agreed to permanently halt a similar procedure following a wave of criticism about Siri. (Having humans listen to voice recordings, according to both companies, was intended to improve their speech-recognition capabilities.) Meanwhile, a couple of high-profile hacks have hit the smart home market. In 2018, a couple in Wisconsin claimed their Google Nest system was breached by a hacker who talked to them through a camera—an incident Google says could have been prevented by two-factor verification. Privacy in voice-enabled devices is a hot-button issue for both regulators and consumers; a 2018 study by PwC found a lack of trust in voice assistants is a major hurdle for tech companies.

"It's easy to understand why a consumer wouldn't want a device that's connected to the internet listening to what's going on in their home, and the same is true for businesses," says Probal Lala, CEO of Fluent.ai. "Imagine the case of discussing a sensitive merger in a boardroom. You'll want that conversation to stay in the room."

Lala, who became involved in Fluent.ai as chair of the investing group Maple Leaf Angels Corp.—one of the company's early funders—sees this year as a crucial one for the firm. Fluent.ai started out as a project at Montreal's TandemLaunch accelerator in 2015 and graduated to a full-fledged com-



“IT’S EASY TO UNDERSTAND WHY A CONSUMER WOULDN’T WANT A DEVICE CONNECTED TO THE INTERNET LISTENING TO WHAT’S GOING ON IN THEIR HOME, AND THE SAME IS TRUE FOR BUSINESSES. IMAGINE THE CASE OF DISCUSSING A SENSITIVE MERGER IN A BOARDROOM”

pany in 2017. It has raised US\$5.3 million in three seed funding rounds since then, including an ongoing round led by Desjardins, BDC Capital and Maple Leaf Angels. (The latter two have been investors from the get-go.)

“Now that our internal development has progressed as far as it has, our intent is really to make it to market,” says Lala. The team was named an innovation honouree at this year’s Consumer Electronics Show. The company also has a partnership with Ambiq Micro, which manufactures low-power semiconductors. The companies showcased the voice-based Tetris game together at CES and intend to develop energy-efficient voice tech. They have also teamed with DSP Concepts, a software firm that makes TalkTo software, which filters ambient noise and helps isolate voice commands. Lala says Fluent.ai, Ambiq and DSP are working on a contract with a remote

control provider, although he can’t yet disclose which one.

There has been a noticeable surge in demand for the companies’ technology in recent months as consumers avoid, well, touching things. “Preventing the spread of coronavirus has caused a huge increase in demand for voice-enabled devices,” says Chin Beckmann, CEO of DSP Concepts.

This was originally set to be Fluent.ai’s “year of deployment”—it expected to make major brand announcements in the summer and be installed in a couple of million devices by the end of the year. “When coronavirus hit in mid-March, we pushed out our forecast by nine months,” says Lala. “That’s more or less held true. Things are moving along, but slowly, since what would normally involve in-person visits, like demos and client meetings, are taking place virtually. And our clients’ deployment schedules have generally been pushed out.” Lala remains focused on the small embedded devices market, and says he’s turned down money from potential investors who wanted to steer the company off its thesis and into the cloud.

Though they’ve worked remotely through the pandemic, the team of 25 normally does business out of a small office in downtown Montreal, surrounded by the city’s typical trappings: hip coffee shops, boutique eateries and, as of a few years ago, a groundswell of activity in artificial intelligence. The boom of research and business in this area is no accident—it’s fuelled by money from the public and private sectors, and rooted in research out of its three universities.

Google, Facebook, Huawei and Samsung have all opened AI-focused research hubs or labs in Montreal over the past five years. In that time, AI has become a true phenomenon in the city, with labs, accelerators

and startups spreading like wildfire to form something of an ecosystem for the field. “I think we’ve reached a point where the technology has, to some degree, caught up with the theory, and so we’re seeing a preponderance of applied AI with real-world use cases coming to the fore alongside the research,” says Stephane Paquet, president and CEO of Montreal International, an economic promotion agency.

“When I started my PhD in 2010, there wasn’t that much going on in AI in the city. That has definitely changed, with so much activity going on in the field,” says Tomar. “Now there are tons of research projects, events and labs.

The great thing is that everyone is open to collaboration.”

Yoshua Bengio, who’s been hailed as one of the founders of the field of deep learning and a “godfather of AI,” alongside Geoffrey Hinton and Yann LeCun, is an often-cited global superstar with local roots. His alma mater is McGill, he’s been a faculty member at the Université de Montréal since 1993, and he’s scientific director at Mila, a collaborative research institute for AI founded in 2017. His foundational work on deep learning, now an area of AI research that underpins up-and-coming tech like self-driving cars and image recognition, was arguably the seed that sprouted into the city’s AI ecosystem.

An influx of money from multiple levels of government and industry is supporting Bengio’s work, along with that of many others. In 2016, the Canada First Research Excellence Fund allocated \$84 million and \$93.5 million, respectively, to McGill and the Université de Montréal to pursue AI research. The federal and provincial governments funnelled a combined \$140 million into AI research in 2017, and in 2018, supply chain supercluster Scale AI joined forces with the federal government to pour \$290 million into the city.

Fluent.ai is still a small fish in that increasingly larger pool, but its aims are high. “Fundamentally, we want to be a global brand,” says Lala. It’s a reasonable goal for a company built on technology that speaks any language—no dictionary required. ●



DAVID BARR

PRESIDENT, CEO AND PORTFOLIO MANAGER, PENDERFUND CAPITAL MANAGEMENT LTD., VANCOUVER

David Barr relishes finding bargains and compelling growth stocks among mainly small-cap Canadian companies. It's even better if the companies become acquisition targets with juicy premiums. Over a decade, he has seen 55 takeovers in his \$155-million Pender Small Cap Opportunities Fund. With nearly half its holdings in technology and 20% in U.S. stocks, his fund has also outpaced the S&P/TSX Composite Total Return Index. We asked the 46-year-old manager how he looks for potential takeover candidates, and why he likes liquor and cannabis retailer Alcanna.

Why do you like to play in the technology sandbox?

I have been involved in technology for my whole investment career. In 2000, I started in venture capital, basically investing in growth-stage companies, and over the years, I followed them into the public markets. It's a sector where companies can grow at a really nice clip, particularly when addressing an emerging market.

Legal software provider Dye & Durham is one of your top holdings. What's fuelling the Canadian tech IPO market?

The wonderful track records of Shopify and Lightspeed have led the way. Dye & Durham and electronic payment processor Nuvei have gone public recently, and we are talking to lots of companies that are considering doing the same. Unlike the past, we are now seeing companies price their IPOs fairly to attract long-term fundamental shareholders. If they take the highest price possible, they are probably going to get more short-term investors who sell their stock [quickly].

Takeover targets are key to your strategy.

What do you look for?

It's important right now because small-cap stocks have lagged large caps, so the market isn't helping us generate returns. If you focus on higher-quality businesses, particularly in the early innings as we do in technology, you get more takeovers. If a company is solving a big problem and outcompeting an incumbent, a lot of companies will be interested in buying it. We look at founders and controlling shareholders nearing retirement, companies in which activist shareholders are agitating, and industries with lots of mergers and acquisitions.

How has the COVID-19 pandemic affected M&A activity?

It caused a dramatic halt in takeover activity earlier this year. However, we expect it to pick up again in the next couple of quarters. Some companies have also seen revenue reduced substantially year over year, and if they have debt on the balance sheet, they are no longer going to be a going

concern. When you get turmoil like this, it increases the number of willing sellers.

What are your best takeover wins and potential targets in your fund?

Big takeovers for us include QHR, an electronic medical records company acquired in 2016 by Loblaw Cos., and TIO Networks, a bill payment processor bought by PayPal Holdings in 2017. Hamed Shahbazi, former chief executive officer of TIO Networks, is now CEO of Well Health Technologies, whose stock we also own. He's

a mid-40s CEO who wants to build a significant health care company, so we don't think it will be sold any time soon. But MAV Beauty Brands, Sangoma Technologies, ProntoForms and GreenSpace Brands [an organic and natural foods company] have takeover potential for different reasons.

When Aurora Cannabis unloaded its 23% stake in Alcanna, why did you snap up the battered shares of the liquor and cannabis retailer?

When a big block is up for sale, there is uncertainty, so the stock usually goes down until it is sold. We bought 9% of Alcanna in June because it was a COVID-19 opportunity. With tighter restrictions on bars and restaurants, we saw beer and wine sales [to consumers] increasing, so that business has a nice tailwind. It is still in the early stages of building out its Nova cannabis stores.

You tweeted this fall that you reread *100 Baggers: Stocks that Return 100-to-1 and How to Find Them* by Chris Mayer, saying investors could learn from it. What's the wisdom?

In the small- and micro-cap space, some companies can go up a hundredfold over a long period of time. The challenge is holding on. I have sold some winners before they became bigger winners. We sold software provider Enghouse Systems and Descartes Systems Group way too early. Now we just trim the position and continue to hold it if the business is strong.

/Shirley Won

PENDER SMALL CAP OPPORTUNITIES FUND ANNUALIZED % TOTAL RETURN*

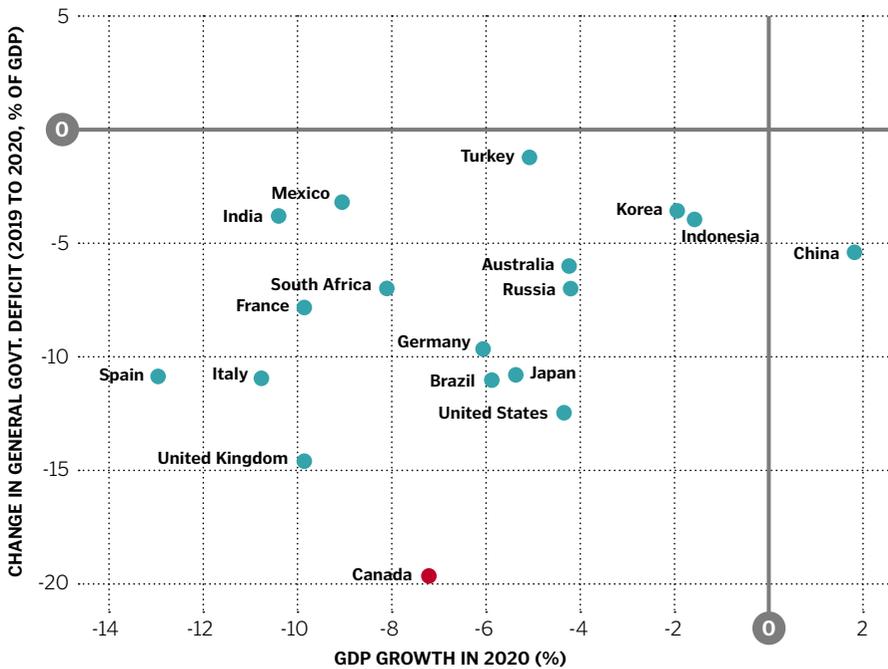


S&P/TSX COMPOSITE TOTAL RETURN INDEX



* RETURNS TO SEPT. 30, 2020

Fiscal response to COVID-19 among G20 countries



DECODER

CANADA LEADS THE WORLD IN PANDEMIC SPENDING. IS THAT A GOOD THING?

The coronavirus crisis has forced countries around the world to dig deep to save their economies. But when it comes to pandemic spending, Canada is in a league of its own. Ottawa is on track for a \$343-billion deficit this year. Compared to 2019, the country is expected to see its fiscal outlook worsen more than any G20 nation, with a change in its deficit equal to 19.6% of gross domestic product, according to the International Monetary Fund's (IMF) most recent fiscal monitor.

While budgetary hawks have expressed deep concern with the federal government's refusal to commit to a timeline for balancing its books, Prime Minister Justin Trudeau has defended the massive volley of spending by arguing the economy would be worse without it. So did Ottawa get bang for its deficit buck?

That's a question economists and historians will be debating for decades, but for now we can look at the IMF's growth forecasts for 2020 to put Canada's economic pain in perspective. What you find is that while Canada went deeper into the red, it is still expected to fare worse than many countries that spent less. For instance,

Canada will likely outperform the U.K., but we spent a lot more to do so, while Canada is expected to underperform the U.S., which spent less.

Gross domestic product is only one measure, of course. What about jobs? On that front, Canada has done better than the U.S. In September, Canada's jobless rate (adjusted to be comparable to the American methodology) was 3.3 percentage points higher than in February, compared to a 4.4 percentage-point increase in the U.S. for the same period. That said, Canada's unemployment rate stands one-third higher than the average of OECD member countries, all of which borrowed relatively less than Canada to fight the pandemic.

The silver lining in the IMF report is that Canada's general government net debt, at 46% of GDP, is the lowest of any G7 country. Still, these are early months in a global recovery that will stretch years. Assuming Trudeau holds onto power and lives up to his promises, we're only at the start of his plans for even more deficits in the years to come. The question to ask is whether all that red ink will put us any further ahead of our thriffter peers.

/Jason Kirby

FOR YOUR CONSIDERATION

PFB CORP.
CALGARY

REVENUE (2019)
\$133.2 MILLION

PROFIT (2019)
\$9 MILLION

THREE-YEAR SHARE PRICE GAIN
116%

P/E RATIO (TRAILING)
8.7

In recent years, a lot of investors have steered clear of anything to do with oil, Western Canada or the U.S. housing market. All three have presented too many ups and downs for comfort. In avoiding those areas, they most likely overlooked a steadily growing and profitable Calgary-based small-cap company that is now crossing over to become medium-size in several important respects.

PFB Corp. is a surprisingly diverse manufacturer of expanded polystyrene (EPS) foam insulation and building products, and it designs houses and commercial buildings that use its products. "We term it our molecules-to-mansions product strategy," says CEO Robert Graham, who is 54 years old.

The production process starts with liquid styrene monomer and pentane, which are both products derived from oil and gas, and then transformed into resin. That resin is expanded and moulded into lightweight rigid EPS foam.

The company was founded in 1968, when Dale Keller, an insulation salesperson, began using a band saw to make pipe insulation. Over the next three decades, its product line grew and got more sophisticated—using moulds to shape and make construction blocks, wall and ceiling panels, and many other products and systems.

PFB has also expanded both by acquisition and geographically. It operates eight plants in Canada (from Ontario to British

Columbia) and three in the U.S., and has a custom home-building group with offices in three states. The houses are generally high-end mountain-style homes, priced from \$600,000 to \$10 million. “Think of all the people—the wealthy celebrities—who are moving to places like Montana these days,” says Graham.

Although PFB is still small in many respects, its growth has been steady through cycles in various regions and product segments. Revenue has roughly doubled over the past decade and profits have almost tripled.

Graham says the company is the only vertically integrated EPS provider focused on construction products in North America, so its strengths in some markets offset weaknesses in others. The collapse in the price of crude oil that started in 2014,

for example, slowed economic growth and construction in Western Canada but lowered styrene prices. Meanwhile, sales grew in the U.S. and Eastern Canada.

He also says there is plenty of room to grow. Just over half of the US\$9-billion American insulation market is controlled by five multinational giants, including Owens Corning, but smaller companies with more than US\$140 million in sales—about where PFB is now—control just the next 11%.

The COVID-19 pandemic has also hiked PFB's share price. The stock plunged from about \$13 in February to just over \$8 in March, but it has soared to



almost \$20 lately. PFB's market capitalization has surpassed \$100 million, which means it pops up in a lot more on analysts' radar.

Yet the stock is still relatively cheap, with a trailing price-to-earnings ratio of less than 10. “I don't like to use that word,” Graham says, “but we do believe it is good value.” **/John Daly**

“Buy low/sell high” is tough when you're not sure which way is up.

These are extraordinary times.

And these extraordinary times have called for extraordinary measures from central banks and governments globally. When it comes to investing however, just the opposite is generally true. History has shown that over time, markets inevitably revert to the mean. That's why we always focus on the long view.

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Fast forward

Claude Guay, president and general manager of IBM Canada, on how the pandemic has led to an unprecedented digital acceleration

I became president and general manager of IBM Canada in April, in the middle of the pandemic. At the beginning, many of our clients were unprepared for the shift to working from home, so it was about getting them the broadband, wireless networks and cloud computing they needed for support. But then, despite the fact that it has been an unprecedented tragedy, the pandemic became a powerful force for disruption. We'd been talking to a lot of executives about digital transformation for the past two or three years; now it's actually happening. We will look at this as a pivotal moment in business and society, when that transformation suddenly accelerated. It's a pretty intense moment.

There are a few things our clients are doing, and one of them is applying artificial intelligence or automation to their operations. As the pandemic hit, for instance, the City of Markham, Ont., started

95% of IBM employees worldwide are working from home

“We will look at this as a pivotal moment in business and society”

getting thousands of phone calls related to the rules around COVID-19. We used AI technology to allow them to handle the vast majority of those questions in an automated fashion—and we got that technology up and running in a matter of days. If you had asked any executive before this how long it would take to implement that system, you would have been told weeks or months as opposed to days. When there's a driving force, you can make things happen so much faster because the technologies—like AI—are proven now. AI can make a whole internal process or workflow faster, stronger and less expensive. And we can apply AI on AI to detect if there is a bias built into, say, a mortgage application system that could result in systemic racism. We should be able to eliminate it.

From a technology perspective, this digital acceleration is nice. But as you accelerate, you need to develop new skills. In the immediate term, those skills are in cloud, AI and cybersecurity technologies. The future one is quantum technology, which is going to allow the world to resolve problems that have never been humanly possible to resolve—quantum technology is already being used by the pharmaceutical industry to figure out the coronavirus genome, find a cure and find a vaccine. It's still in its infancy, but we're going to see that taking on a big role in the next three to five years.

The thing that worries me—and many of the executives I talk to say the same thing—is employees' physical and emotional health related to both the pandemic and this technological acceleration. Eighty percent of the executives we've surveyed say they're supporting the physical and emotional health of their workforce, yet only 46% of employees surveyed feel supported. That's a cry for help to executives that we need to do more for workers' skills, as well as doing more for their mental and physical well-being. **/Interview by Alex Mlynek**

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