

REPORT ON BUSINESS



DEATH-DEFYING
FEATS OF FINANCIAL
ACROBATICS!



MIND-BOGGLING
LOGISTICAL LEAPS!

+ CLOWNS, PANDA BEARS
AND AN UNLIKELY NEW
RINGMASTER

INSIDE THE YEAR THAT NEARLY KILLED CIRQUE DU SOLEIL AND ITS PLAN FOR A POST-PANDEMIC COMEBACK



LIVE TECH.
LOVE LIFE.™

VISIONARIES

Fancy goggles aside, the reality before our eyes is that Calgary is an opportunity-rich city. We are home to innovators, dreamers and problem solvers whose signature entrepreneurial spirit allow them to see opportunity where others might not. These visionaries are turning heads across all of our sectors each and every day. They embody the vision for our city and are helping put Calgary and our innovation ecosystem on the global map as a place where people come to solve some of the world's greatest challenges.

With the breadth of our talented people and the strength of our community, the opportunities in Calgary are limitless. Take a closer look at Calgary's visionaries at [livetechlovelife.com/stories](https://www.livetechlovelife.com/stories)

Calgary: Canada's most adventurous tech city.™

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COVER PHOTOGRAPH MATT BEARD; (LEFT) DANIEL SKWARNA; (RIGHT) LUCAS FOGLIA

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When the world shut down, so did Cirque du Soleil. We followed it through the logistical nightmare the followed, its filing for creditor protection, the dramatic battle for ownership and how it's preparing to return to the stage. /By Jason Kirby

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STRIKE UP THE BRANDS

Our first annual ranking of 25 companies that define what business-to-business excellence looks like right now. /By Aaliyah Dasoo



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Canadian Chris Best is hoping to upend traditional media with his newsletter platform, Substack. He's faced down Facebook before—and lost. Will this time be any different? /By Joe Castaldo

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AGAINST THE ODDS

When bond trader Paul Marcogliese's two young sons were diagnosed with a fatal ultra-rare disease, he and his wife, Cheryl, threw all their energy into finding a cure. /By Tim Shufelt



Brand on the run

“

For most of its history, Shopify has made a virtue of anonymity.

On most e-commerce platforms, individual retailers are less important than their service provider. It's painfully obvious at Amazon, where every merchant competes for attention in a never-ending digital big-box store. Even on an artisan-friendly site like Etsy, the branding of the tech giant is more prominent than the names of the individual sellers.

But ever since its founding, Shopify has positioned itself differently. It's a utility company, not a retailer. You aren't aware of which electrician installed the cash register at a local boutique, so why care about which company facilitates its online transactions? The Ottawa-based tech firm exists to boost its clients' profile, not the other way around. As president Harley Finkelstein once explained it: "Shopify is a brand to merchants—it's not a brand to consumers."

Through this quiet support of other brands, Shopify has built an overwhelmingly strong one of its own. Earlier this year, we partnered with the polling firm Ipsos to see which business-to-business brands Canadian executives hold in the highest regard. The goal was to understand which companies are seen as trustworthy, innovative and focused on their clients' needs. Ipsos surveyed more than 400 executives, asking—among other attributes—which companies are trailblazers, which are easy to work with and which best serve their communities.

Shopify came out at No. 1 on our inaugural ranking. It frankly wasn't even close; the brand came first in 22 of 42 categories. For example, 81% of respondents agreed Shopify was ahead of others in leading the digital transformation, a stunning 19 percentage points ahead of the second-place company, Microsoft. On average, Shopify was eight percentage points ahead in all the areas where it took first place.

These results suggest Shopify's brand now rivals global leaders, such as Google. The technology behemoth has come first on Ipsos's ranking of the most influential brands in Canada for the past nine years and landed in the top spot this year in 13 out of 49 categories. Coincidentally, Google led second-place brands by an average of eight percentage points, just like Shopify.

The difference, of course, is Google has been widely known for nearly two decades (it's so established, its name isn't just a brand but a verb). Shopify is certainly better recognized by consumers than it once was—a year of pandemic-driven growth in e-commerce helped, as did replacing RBC as Canada's most valuable company. But it remains a resolutely business-to-business brand that makes itself look good by keeping the spotlight on others. /James Cowan

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Who killed Encana?

In our last issue, Tim Kiladze and Jeffrey Jones investigated how Canada's top oil and gas company lost its way and its name, and ended up moving its head office to Denver. We heard from a number of former employees with their own thoughts on the company's fall.

› I was an employee at Encana and one of its predecessors from 1997 to 2004. You guys nailed the story. You didn't miss anything—on the business or its personalities.

I think the largest business-class lesson is the true value of leadership. Murray Edwards is still a driving force at Canadian Natural Resources Ltd. and was from the beginning. It's surviving and thriving, all these years later. At Encana, leadership changes led to vast changes in focus and strategy, and gradual unravelling. I think you captured that overarching lesson. I have to say it was a wistful read for me, though—it was a great place to work and learn one's trade. —Dan Polley

› I found the [online] reader comments about the piece particularly interesting. Many were hopelessly naive or ill-informed, placing the blame on the policies of the Harper or Trudeau governments. But a significant number appeared to be written by people who

either worked there or did business with it in some capacity. The common themes in these comments were the company was brought down by greed, incompetent leadership and the fateful decision to “drink the Kool-Aid” proffered by the investment bankers to spin off Cenovus and become a pure-play natural gas producer. From my perch in the company, I tend to agree—the downfall of Encana was entirely attributable to self-inflicted wounds. —A former employee

We acknowledge the support of our academic advisory panel



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Who's Managing Your Money?

It's a fair question in a world run by algorithms.
Where software edits the news, runs the stores and drives the cars.
Indeed, our own investment team is now assisted by artificial intelligence.
But one thing is clear:
From the Tech Bubble to the Financial Crisis to the Global Pandemic...
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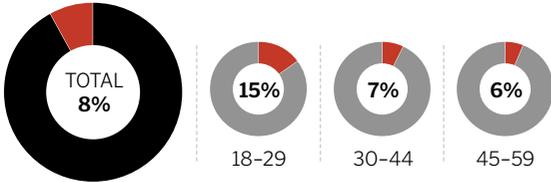
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1

RED MEAT ISN'T FOR THE YOUNG

Millennials and members of Generation Z are most likely to avoid eating steak, according to an Abacus Data survey.

CANADIANS WHO DO NOT EAT STEAK



Wrestling fans from the top rope

The WWE had the most-watched YouTube channel, ahead of any "real" sport, in March.

MINUTES WATCHED, BY CHANNEL

WWE	4.3 BILLION
NBA	854 MILLION
UFC	711 MILLION
ESPN	503 MILLION
NFL	277 MILLION



06/21

Banking is still a pretty good gig

LinkedIn weighed multiple factors—ability to advance, skills growth and company stability—to determine the top companies that will "grow your career."

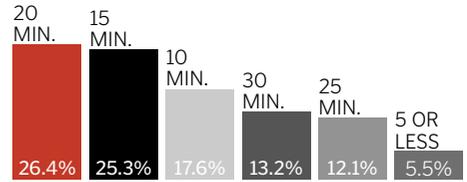
TOP 10 COMPANIES

- RBC
- TD
- Scotiabank
- Alphabet
- Bell
- George Weston Ltd.
- BMO
- SAP
- CIBC
- Deloitte

Applying for a job at most companies is time-consuming

The average job seeker spends nine hours per month filling in forms, according to a survey from Ladders Inc., a career site.

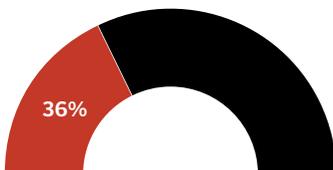
TIME SPENT PER JOB APPLICATION



5

THERE'S PLENTY OF CHURN IN THE STREAMING BUSINESS

Consumers who cancelled or added and then cancelled a streaming service in February, according to Deloitte:



Mascots are an effective way to promote environmentalism

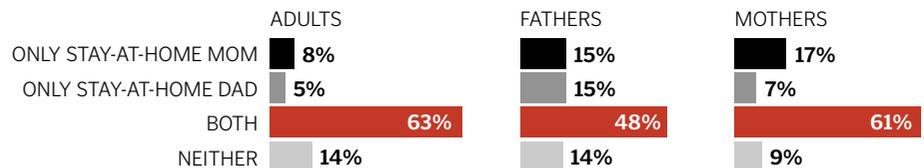
"Consider implementing anthropomorphism as a low-cost and useful means to facilitate the pro-environmental appeals. ... For instance, hoteliers can add a happy facial expression of the earth to their green signs placed in occupants' bathrooms to encourage the reuse of towels, as well as discourage the excessive use of other bathroom resources like water and toilet paper."

—*Khoa T. Do et al., Psychology & Marketing*

Working from home has many meanings

A survey conducted by YouGov found a slight divide between mothers and fathers over whether full-time parenting counts as a full-time job.

DO YOU THINK "STAY-AT-HOME PARENT" SHOULD BE CONSIDERED A JOB?



7



2021
REPORT ON BUSINESS
BEST B2B BRANDS

Thank you for ranking us as one of Canada's Best B2B Brands

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NK

Need to know

Don't mask, don't sell

Companies don't need to worry about driving away customers with stringent health rules. New research suggest consumers will pay extra to feel safe

Viral videos depicting maskless customers in heated exchanges with store clerks have become commonplace during the pandemic. Oleg Urminsky—a professor at the University of Chicago's Booth School of Business—found himself in the opposite scenario last year when he visited a grocery store where the manager bagging groceries wasn't wearing a mask. Urminsky, who describes

himself as confrontation-averse, felt uncomfortable but didn't make a scene; instead, he left and decided not to return.

If people who oppose mask mandates tend to be more vocal (and thus more viral) than those who support them, he wondered, how might that affect a firm's likelihood of enforcing strict safety rules? And on the consumer side, how does a business's handling of those rules affect people's willingness to support the company? He co-authored a working paper with Abigail Bergman, a behavioural marketing researcher at the Booth School, running a series of experiments that tested how common backing for strict safety policies is among customers and managers. Across different types of businesses—big-

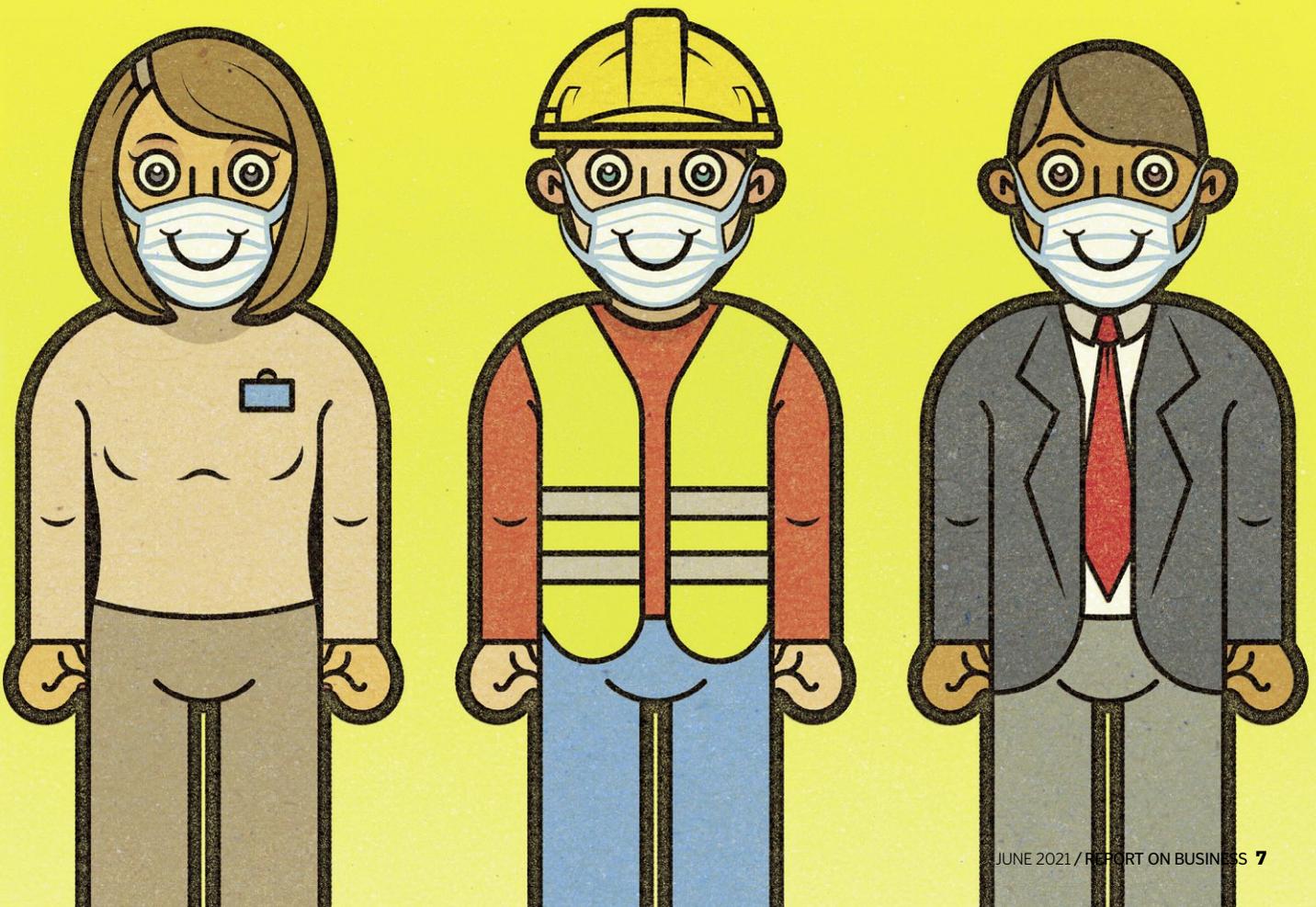


ILLUSTRATION ALEXEI VELLA

box stores, hospitals and airlines—they found that a strong majority of people support stricter policies. But individuals also underestimate the percentage of other people who agree with the stronger rules. That’s a problem, the researchers argue, in the work to establish social norms that encourage companies to protect public health. The results are informative as we look toward a future when vaccination requirements for public spaces become a hot-button issue.

In one study, participants made a series of choices between an airline that required mask wearing and one that only recommended it. Prices varied between the choices, and respondents were also asked to predict other consumers’ preferences between two equally priced tickets. In 69% of cases, people selected the stricter airline—and were willing to pay a premium of about \$27 for it. And people significantly underestimated how many others preferred the stricter airline. “The public sees the mask requirement as more controversial than it is,” the working paper reads.

In another study, participants watched two real-life videos recorded in different Walmart outlets. In one video, a maskless customer was confronted by a manager and removed from the store; in the other, customers complained about a mask-free patron, but no action was taken by management. They were then asked to choose which store they would rather visit. About 70% of people chose the stricter Walmart. The store staff was also rated significantly higher on showing traits like warmth, care and competence. But yet again, participants underestimated the percentage of others who would choose the first option.

To sustain a norm like mask wearing, the researchers argue, people must not only support the idea but believe others support it as well. The theory relates to a social science concept known as pluralistic ignorance: when those in a majority group privately disagree with something but go along with it because they incorrectly assume most others accept it. This widely studied phenomenon has been implicated in issues from college alcohol consumption to discouraging female participation in the labour force. In the context of mask wearing, if you support strict enforcement rules but don’t know you’re in the majority, you might be less likely to speak up about it. And if you’re a manager, you may not align your firm’s policies with your beliefs. In the current study, 88% of managers thought everyone should wear a mask indoors, but just like consumers, they strongly underestimated support for those requirements among customers.

IS NOTHING SACRED?

► Want to diminish consumers’ concern for the environment, gender equity or social justice? Use a cause to promote your company. A new study from the Rotman School of Management found that when a brand aligns itself with a “sacred value” in a bid to boost profits, it can also reduce people’s commitment to the issue. In one case, consumers who saw a “Happy Earth Day” message from NASCAR, the stock car company, had diminished respect for the annual environmental event. To succeed, brands must show a real commitment—like Patagonia encouraging customers to repair their coats, rather than replacing them.

RESPONDENTS’ AVERAGE PREDICTED LEVEL OF PREFERENCE FOR AIRLINES THAT REQUIRED MASKS



ACTUAL LEVEL OF SUPPORT



Even as vaccination numbers rise and mask mandates are loosened, companies will need to make decisions about which safety rules to keep. Some are already having to decide whether to make vaccines mandatory for their employees. And if the norm skews toward anti-mask (or anti-vaccine) perception despite popular approval, there may be hidden costs for businesses whose policies are lax because they fear a backlash. “Going forward, signs of active cleanliness are probably going to be seen as more positive than before the pandemic,” added Bergman. Furthermore, the study respondents in most cases rated stricter stores as warmer and more competent—the former rating was particularly surprising for the researchers.

The paper’s final study asked participants to choose between a hospital that requires employees to be vaccinated and one that doesn’t. They found the same pattern of widespread support for a stricter policy alongside underestimation of that opinion in others.

They also found that the more an individual underestimates wider support for a vaccine-enforcing hospital, the less likely they are to warn a friend away from visiting the less strict facility. That result again points to the difficulty of establishing social norms that help businesses weigh the costs and benefits of their policies. “We don’t have well-established norms that there’s consensus about, so people are kind of guessing. If we know what the norm is, we know when to complain and not to complain, when to give advice and not to. Our evidence suggests that people’s inaccurate beliefs about these norms get in the way of building social consensus about what firms should do,” says Urminsky.

But the researchers warn business owners not to interpret their findings as unconditional—especially in a hotbed of anti-mask or anti-vaccine sentiment. “An overinterpretation of our results would be, for example, making a big show of throwing a maskless customer out of a store and posting it online,” says Urminsky. “There may be backlash against strict enforcement that we didn’t measure.” Still, as public health mandates evolve and firms balance safety rules against the risk of alienating their customers, it seems that enforcing strict safety policies will only serve to bolster support among most customers—no matter how vocal the dissenting minority. **/Liza Agrba**



REPORT ON BUSINESS BEST B2B BRANDS

CUSTOM REPORTS

The Report on Business Best B2B Brands report is the result of a research partnership between The Globe and Mail and Ipsos, drawing on in-depth survey data from more than 400 leading executives. Ipsos is offering custom research reports for purchase, comprising detailed data and world-class analysis of Canadian business brands.

Each report includes:

- A comprehensive account of the performance of 74 leading business brands on 42 different attributes
- Custom analysis of individual brand performance relative to key competitors
- Valuable insight into what registers most with Canadian executives today

To learn more, email BestB2BBrands@globeandmail.com



RESEARCH PARTNER





ASK AN EXPERT

Pick up the Slack

All of my employees have adopted new collaboration tools, but I'm having trouble adjusting. Is it okay if I just stick to email?

Nope—and not because it is embarrassingly akin to sticking with your beeper or fax machine. It's the equivalent of being a quarterback who refuses to touch the ball. “If the whole team is engaged in live, interactive, collaborative technology and you choose not to, that's not okay,” says Darryl Wright, associate partner with People Advisory Services at EY Canada. Wright has seen bosses refuse to use Slack or Zoom or other company-wide tech. That would be a fireable offense for every other employee on the team, so imagine the resentment if their leader gets a free pass. This is not only poisonous to work culture but also just a drag. “It's not cool to have a boss in the Dark Ages,” says Wright. “You need to learn like we've all had to.” Think first about what exactly is holding you back: Is it a lack of competency? Your attitude? Tackle this thought—Remember change is hard—but you're luckily in a great position to learn. “Carve time

into your schedule to bring in a specialist or sit down with your assistant for a few hours a week,” suggests Wright. Do it for the team—but know it's really for you. “Collaborative tools are the future of work, and they're here to stay. If you don't adapt, sooner or later, you'll fall short.”

Since our office is empty, we're using the opportunity to remodel our out-of-fashion common spaces. What are some cool touches employees will appreciate?

Rumors about the death of the open office have been greatly exaggerated. It's unlikely we're going to see the return of high-walled cubicles or even taller panels between desks, according to Marcia Mayhew of Mayhew Inc., interior office designers. Not that post-pandemic offices will be exactly as we left them. “Business owners are rethinking who needs to be in the office and when, and creating unique dedicated workspaces for sharing.” Since a daily trip to the

office likely won't be the default anymore, companies need to make the commute worthwhile by highlighting what your home office lacks: “social interaction, collaboration, participatory activities,” says Mayhew. The best new spaces will lean into the office as social destination—think self-serve coffee stations, kitchenettes, cozy couches, games rooms. All are creature comforts we've grown accustomed to. “You want all the comforts from home but also with that human connection.”

Our company is facing new government regulations. How do I find a good lobbyist to plead our case?
Maddy Stieva, government relations consultant at Capital Hill Group, knows the word “lobbyist” is potentially loaded. “The term tends to remind people of *House of Cards*,” she jokes, “mostly because people don't always know what we do.” Here is what they do. “For anyone who offers a service or product that solves a problem the government faces, we work for you to connect with them, establish relationships and deliver solutions,” she explains. Hire a lobbyist like you would anyone else: “Start with Google, if you want, but a better plan is word-of-mouth referrals,” says Stieva, who suggests touching base with comparable companies with similar goals. Look for the person who can achieve your goals with their connections and personality. These characteristics matter more than a fancy title on a CV, as does experience. “Ask about their past successes, how they did it and if that's the kind of success you're looking for too,” she says. Then, like every other hire you'll ever make, it's all about fit: Choose someone you're excited to work with and who's excited to work with you. **/Rosemary Counter**



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THE EXCHANGE

Rock solid

As head of BlackRock's Canadian outpost, Marcia Moffat is helping push investors toward a more sustainable future—a shift that's been sped up considerably by the pandemic

BY TREVOR COLE

With office towers largely emptied thanks to pandemic protocols, the brain trusts of many large corporations are spread hither and yon. It hasn't hurt the global investment behemoth BlackRock, which attracted a record inflow of US\$172 billion in the first quarter of this year. These days, Marcia Moffat, head of BlackRock's Canadian division, conducts her business far from Toronto's financial hub, connecting with clients (and the roughly 100 employees responsible for the division's US\$217 billion in assets under management) between hikes with her two teenage children and young black Lab along the woody trails surrounding Collingwood, Ont. Could that be one reason Moffat is keen to talk about the investment world's growing shift to climate-driven initiatives? No—it's probably the money.

Have you sensed a change in how Canadians are investing because of the pandemic?

You'd heard for a lot of years about the death of active management. If anything, this pandemic environment has proven the importance of active management, because the markets have swung in different directions, and there have been some tectonic shifts, some acceleration of technological and other structural trends. And then there have been some shifts in terms of different sectors being under further pressure and other ones popping up. We had been having a lot of conversations with clients around sustainability heading into this. You think the foot will come off the pedal because of the crisis. Actually, we went in the other

direction. There's a fundamental shift in the market. We had a session with clients featuring Bill Gates and Larry Fink (1) talking about sustainability, and then Mary Barra, the CEO of GM, and the CEO of Rivian, R.J. Scaringe. (2) And it was our most well-attended event ever.

Interesting. We'll get into the sustainability stuff in more detail a little later.

The other thing on investing I would say is the whole notion around construction of the portfolio, as opposed to stock picking—you know, asset allocations. What are the macro trends and so on. That's a big theme, and that's where our sophisticated clients really lean.

When you say "sophisticated clients," you mean...

Think of us as a B2B type of model. We have an institutional client business. Our clients for that business are pension funds, insurance companies, family offices, foundations, endowments, some of the other asset managers on a sub-advised basis, and so on. And then our other big pillar in Canada is our exchange-traded fund business through the iShares franchise. The clients for that tend to be those institutional clients I mentioned, as well as financial advisers, and then individual investors buy them, too.

BlackRock is in at least 30 countries. That should give you perspective. How would you characterize Canadian

1. Fink is BlackRock's CEO and chair, and co-founded the firm back in 1988. He now has a personal net worth of more than US\$1 billion.

2. Rivian makes electric luxury vehicles (starting at about US\$70,000) and is now valued around US\$27 billion. Scaringe has been called Elon Musk's nemesis.

investor behaviour in a way that differentiates it from others?

I speak more from an institutional lens than from an individual investor lens, and I would say there's commonalities in terms of how sophisticated institutions approach investing around the world. This move to asset allocation is a global trend. And the move, from a financial adviser perspective, to more of a model portfolio, where you might make some adjustments, as opposed to stock picking, is a trend we see in different regions. In most countries, you do see a home-country bias, and Canada is no different. The pensions have gotten away from that to a large degree. From an individual perspective, you still see there's comfort with what we know. And I would say Canadians would be well-served to look outside our borders to where the growth is happening. The U.S. is a natural. Certainly some emerging markets. China's a powerhouse. **The very first ETF was launched in Canada in 1990. The TSX recently listed the first bitcoin ETF. Now we're listing the world's first Ether ETF.**

And you're missing one, Trevor—the first bond ETF globally was launched in Canada by BlackRock.

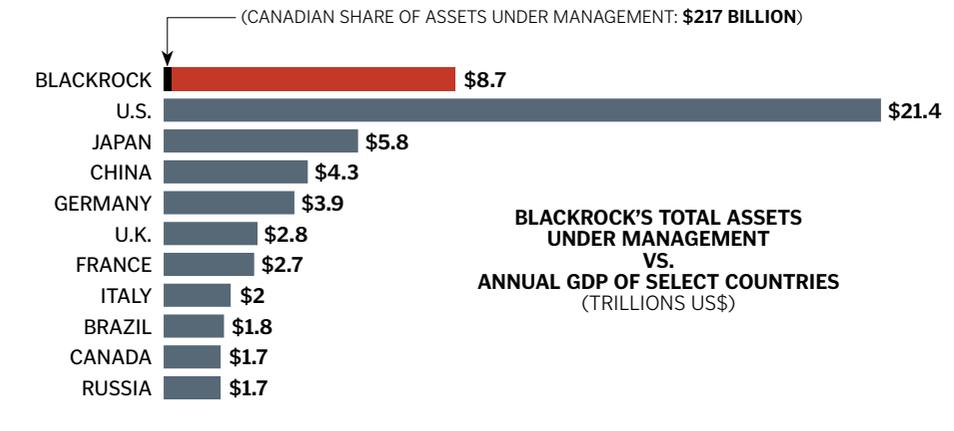
Okay, why do these things happen in Canada first?

Canada's got a couple of great attributes. It's a sophisticated market. It is small enough to try some of these things and see if they take off. That's a lot of what I do, in terms of running the business in Canada: Try something out here, and then it can be used as a model for other regions around the world.

Let's talk about sustainable investing. Is this a game-changing trend, in your view?

It is. It is here to stay. The conversations on sustainability have been picking up over the last few years, and then through the pandemic, they have accelerated significantly.

Why?



One reason is a broader-based agreement that climate risk is investment risk, that we are in a transition, and that those companies that are not preparing adequately for the transition will be left behind and will be riskier investments. There's the other side of that coin, where there are real opportunities, not just within venture capital-type investments in emerging companies, but with well-established companies that are preparing for the transition better than their peers. Sustainability is a broad topic. There's also ESG—environmental, social and governance. I would say that historically, there's been a lot of focus on governance, and rightly so, because a well-governed company does tend to have its arms more around the strategy, is more thoughtful, is more prepared, is getting asked the tough questions by its board of directors. That piece has been part of the investor engagement for a long time. The social and the environmental, less so. It hasn't manifested itself in an investable way, if you will.

Now, sadly, we're seeing the repercussions of climate change more readily, in terms of the physical risks it presents. The insurance industry, property and casualty, would see that early. But then you start seeing it trickling through the investment portfolios. And then there's the opportunity. When most people think about climate, they

3. The Taskforce on Climate-Related Financial Disclosures was established by the Financial Stability Board, a G20 financial oversight body, to steer companies toward more transparency about their carbon-related assets and climate-related risks.

4. The Sustainability Accounting Standards Board is an independent non-profit, founded in 2011 to establish specific accounting standards and language for the ESG-related disclosures in each of 77 industries.

5. BlackRock calls Aladdin a "centralized processing system for investment management." It started selling its use to institutional clients in 1999 but does not offer it to individual investors.

think specifically around oil, driving cars, planes and so on. But it's much broader than that. Our clients are saying they're going to double their assets in sustainable strategies to 2025. **So, these are your big clients. Are they thinking about these things because they're having to plan out 20, 40 years from now?**

That would be part of it, but not all of it. I think we're seeing the risks as being much more near-term now and manifesting themselves in valuations, as well.

Is it a problem that there are no regulations around what constitutes sustainable investing?

Additional rigour is being pushed for, and it is happening. Because you're right, it can be difficult to know: Is what I'm investing in having the impact I'm looking to have? And people are drawn to sustainable investing for different reasons. A portion is that climate risk is investment risk, and there's opportunity. Some is that people want to have an impact. But all of that comes without wanting to give up returns. And that's what we have focused on—the data and analytics to really understand what the risk is, how to quantify it, how to make investment decisions on it.

There is a push afoot for more standardized disclosures. I would say that's moving quite quickly. And this would be around TCFD (3) and SASB (4), and then investors meeting with companies and indicating what kind of metrics they're looking

for. As to whether it can be immediately regulated, we're still feeling our way through. You are seeing a push for these changes, and you are seeing companies responding, both with net-zero commitments and with sustainability reporting. And it'll get better and better.

On net zero, BlackRock has launched products with explicit temperature-alignment goals. Your chair, Larry Fink, has called on companies to show their plans for being compatible with a net-zero economy. With US\$8.7 trillion in assets under control, BlackRock has a lot of power. Can you effectively force companies to become net-zero compliant?

There are client needs that must be met around sustainability. And we're looking at how we can best serve our clients. Specifically on your point, we do have an investment stewardship team that engages with companies, with a view toward long-term value creation for shareholders, around their governance, their strategies and their transition readiness. And asking for good disclosure so investors can make proper decisions on those companies. We should talk a little bit around the data and analytics, and also some of the products or capabilities we're offering, because there's quite a lot happening in those two areas.

Let's touch on it briefly. What analytics are you talking about?

We have an investment management platform called Aladdin. (5) It's end-to-end, software as a service. We have proprietary risk analytics within the enterprise system. It goes across asset classes, and it goes front-to-back within an organization. For example, portfolio management tools, trading, operations compliance accounting—all of that in a single platform. From a portfolio view, what's the value? It's around users being able to see the whole portfolio and understand the risks in its totality. We're



6. The BlackRock U.S. Carbon Transition Readiness ETF.

7. Moffat—who has a law degree and an MBA from Rotman—spent 12 years at RBC, including three overseeing its \$210-billion residential mortgage portfolio.

8. The Canadian ETF market share of BlackRock and RBC iShares is now reportedly below 31%.

adding in more and more external sustainability data. You've heard of providers like MSCI, Sustainalytics, Refinitiv, Rhodium Group, Clarity AI—they all provide sustainability metrics. We have loaded those into Aladdin. We're talking, like, 1,200 metrics.

So it's a massive processing brain around investment risk.

There's a real thirst for being able to understand portfolio risk from a climate perspective. And opportunity—last month we launched two carbon-transition-readiness funds. And just to give you an idea of the appetite, it was our biggest ETF launch ever. It was \$1.2 billion. And it continued to grow. Across those two, it's US\$1.8 billion. And the U.S. equities version (6) is the largest single launch in history: US\$1.25 billion. That ETF produces about 50% less annual greenhouse gas emissions per dollar of revenue than the Russell 1000, which is its benchmark.

Is there any risk in having one system coming up with solutions for everyone?

Everyone uses it differently. The users are in control. I spent many years in banking (7), and you would see organizations build these systems, and very quickly, they become legacy systems. The world keeps changing, and it becomes extremely expensive to keep a system current. So that's the way I think about Aladdin. The industry has moved away from proprietary systems. It just doesn't make sense.

You mentioned your banking experience, so let's focus on you. You came to lead BlackRock in Canada six years ago. How has that worked out for BlackRock?

I would say it's worked out extremely well, Trevor! First of all, we struck an alliance with RBC on the iShare side of the business, which brings together our global capabilities and their capabilities.

Was that a Marcia Moffat decision?

Nothing is solely one person, but yes, I was instrumental in that. Because as an independent asset manager, the structure of the Canadian market is such that you've got 80% of distribution through the banks. To be successful as an independent, it makes sense to have an alliance.

At one time, BlackRock controlled more than 80% of the ETF market in Canada. By the end of 2018, that was down to 36%. Were you trying to fix that by partnering with RBC?

When we first entered Canada, we were the only player. So at one point we had virtually 100% of the market. As any asset class matures, inevitably there's more competition. There's now dozens of providers of ETFs. So yes, we were losing market share. And given what our strengths are, and what RBC's strengths are, the alliance made a lot of sense. (8)

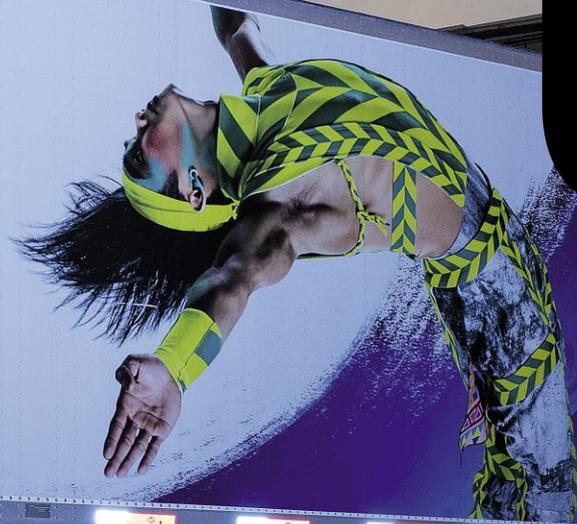
What is the chief skill you've needed as head of BlackRock Canada?

It's collaborating across the organization, to be able to connect the dots. When you're trying to get something done in the regional arm of a large multinational, you need to develop those skills around collaboration, influence, sharing a vision for what can be and having others feel they're part of that vision.

This interview has been edited and condensed.

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.

THE CASH



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INSIDE CIRQUE DU SOLEIL'S
DISASTROUS PANDEMIC YEAR,
FROM INITIAL SHUTDOWN—
TO BANKRUPTCY FILING
TO EVENTUAL SALE TO AN
UNLIKELY NEW OWNER—
AND ITS PLANNED REVIVAL

BY JASON KIRBY

PHOTOGRAPHS BY BENOÎT PAILLÉ

Dozens of tractor-trailers loaded with gear are parked outside, waiting for snow to open post-pandemic

CEO Daniel Lamarre, in his signature tinted glasses, poses at Cirque's HQ in February 2020 with moulaged heads—one for each performer—that ensure their costumes fit precisely



O

On a sunny afternoon in March 2020, a small crowd shuffled into Cirque du Soleil's sprawling tent-shaped theatre at the Disney Springs resort in Orlando for a mini-preview of its new show, *Drawn to Life*. Once inside, everyone's sense of perspective was immediately put to the test. A towering lamp loomed over the stage, its bulb the size of a baby elephant.

Twenty-foot-tall pencils stood in a jar near an old-timey pencil sharpener that would take a team of six to operate. Dozens of bedsheet-size sketchpad pages hung overhead. This was what it must be like to be shrunk down to size and perched on an animator's table. The effect was Lilliputian. Or, since this was a Cirque-Disney co-production, Jiminy Cricketian.

Drawn to Life tells the story of Julie, a young girl whose animator father has died (in keeping with Disney's tradition of doing away with parents). When she discovers some of his unfinished animations, she sets out to complete them. The audience that day was made up of reporters, theme-park-industry watchers and Disney employees, and as they took their seats—strangers sitting

elbow to elbow, their faces just inches apart—a team of acrobats dressed to look like pencil sketches performed in tandem with animated drawings projected behind them. Then a muscular aerialist twirled a giant pencil dangling from a rope like he was drawing onto a sketchpad on the stage. When an old wooden desk sprang to life and galloped away, delight at the spectacle was apparent on the onlookers' unmasked faces.

No one there knew it yet, but this was Cirque's last gasp in the *Before Times*. In less than two weeks, panicked governments would close borders, people around the world would start to don masks, and the global economy would be put into a coma to fight the spreading virus. By the day of the show's preview, the mysterious virus had already begun to leave its

In the theatre, it's traditional to leave a "ghost light" burning after everyone's left. That's what happened at Flemington Racecourse in Melbourne. It stayed lit for more than a year

mark on the company. The city of Wuhan, where the disease originated, sits 800 kilometres west of Hangzhou, home to Cirque's first permanent show in China, which launched in the summer of 2019. Authorities had ordered live performances in the country shut down, while Cirque's touring shows in Hong Kong and Italy had also been put on hold.

Even without everything that was about to happen, this was already a critical moment for the company. The jewel of Quebec Inc. had only just announced it was pulling the plug on *R.U.N.*, its newest big-budget resident show in the crucial Las Vegas market, after just five months of dismal reviews. ("An ugly, inconsistent, poorly planned and sloppily executed mess that lies there like a dead body in a ditch," scathed one critic.) It wasn't the first Cirque show to get panned and end its run early, but *R.U.N.* was its most high-profile failure to date and the shortest lifespan of any outing in its history.

For Cirque, then, *Drawn to Life* was a timely opportunity to reassert its bona fides as a dynamic creative force. It's a hugely ambitious production, the result of more than two years of collaboration with Disney's animation team and its Imagineering R&D division, which saw Cirque gain access to the studio's archive of pencil sketches. It features seven sprawling tracks that loop backstage carrying 250-foot-long drawings that crisscross each other to create a parallax effect—



an ode to the seven-layer multiplane camera system Disney perfected to make animated scenery in movies like *Snow White* and *Bambi* more realistic. No wonder CEO and 20-year Cirque veteran Daniel Lamarre was so eager to talk up the company's long game when he stepped on stage, onto a literal blank canvas on the floor. "We are preparing an amazing show that I hope will stay here forever," he beamed.

Later, after the acrobats and anthropomorphic furniture had wandered into the wings, Lamarre joined me in the front row, where he reflected on everything Cirque was up against. Yes, *R.U.N.* was a costly flop, he admitted. The financial hit to Cirque was around \$20 million and even more to its partner, MGM Resorts International. And yes, the virus was deeply worrying. A crisis unit had been formed just the day before at Cirque's Montreal headquarters to monitor the risks to its employees and operations.

Yet, Lamarre remained true to his reputation for unshakable optimism, a quality he attributed to having "a very selective memory" that stops him from dwelling on those instances when Cirque's big creative bets don't pay off. This moment in the company's nearly 40-year history is no different, he insisted. "As a robust entertainment organization, we mitigate our risk with a portfolio that is broad enough that if you have bad luck or a bad situation somewhere, you can absorb that without getting the company into trouble," he said,

wearing his trademark tinted glasses. "Look, this is not good, obviously. But it's not the end of the world."

Within days, however, Cirque's world would completely collapse.

Over the past year, Cirque du Soleil granted Report on Business magazine access to its top leaders as they fought to keep the company alive. Along with interviews with Cirque's former owners, performers, lawyers, past executives and others, they provide a front-row seat to not only the crushing decision to cancel the company's shows worldwide and lay off 95% of its staff, including acrobats, clowns, musicians and other creative types, but also the complex logistical scramble to unwind Cirque's vast international operations.

And they reveal the financial contortions Cirque had to perform to survive. It's a company with no real assets beyond its brand and its expertise at creating live extravaganzas. But carrying a staggering amount of debt, Cirque was arguably more exposed to a once-in-a-century pandemic than any other major company in the world. The crisis triggered a desperate scramble for emergency financing that saw Cirque plunged into one of the most complex bank-

ruptcy filings in Canadian corporate history. And it set off a high-stakes, hard-knuckled battle between the powerful private equity firms that controlled the company and its creditors—a clash that ultimately left Cirque in the hands of Toronto-based Catalyst Capital, whose business model includes targeting and seizing control of distressed assets.

Now, with the pandemic's end in sight, Cirque is opening the door on its plan to revive itself and bring back at least some of its performers, beginning with two of its oldest and most popular shows in Las Vegas this summer. The challenges will be many—from the unpredictability of COVID-19 variants and lingering border restrictions to more fundamental questions about how Cirque will repair its famously close-knit workplace culture and preserve the risk-taking ethos on which it was built.

What Cirque is attempting is the corporate equivalent of the seemingly impossible acrobatics its performers are known for—only it's doing so after suffering a near-fatal injury. Vast fortunes, personal reputations and the livelihoods of thousands of former employees, not to mention Quebec provincial pride, now ride on Cirque sticking the landing.

T

To understand Cirque's terrible, horrible, no good, very bad year, it helps to know where the company stood going into the crisis and the circumstances that made it so vulnerable

when the pandemic hit.

In mid-February 2020, around the time the World Health Organization assigned COVID-19 its official name, but before Quebec had confirmed a single case, Cirque's headquarters buzzed with activity. Located in the Montreal borough of Saint-Michel, on the site of a former limestone quarry that later served as the province's largest landfill, the steel and glass structure could be home to just about any multinational corporation, save for the gigantic bronze sculpture of an old leather clown shoe near the entrance. Inside, it's the kind of place where turning a corner puts you face to face with a life-size animatronic polar bear. Young men and women in fantastical costumes dart in and out of doorways, and a multistorey atrium overflows with employees watching Cirque's resident clown, Madame Zazou, dressed in a bright red wig and a gown of red and gold felt, lead a raucous lunchtime quiz show. (Guy Laliberté, Cirque's founder, hired her years ago when he worried the place was becoming too corporate, and Madame Zazou is known for regularly crashing high-level executive meetings to poke fun at Lamarre.)

I'd travelled there from Toronto as part of a story on the business of creativity. Cirque was seemingly the perfect case study. Over 36 years, it had become one of Canada's most successful exports by turning decades of North American circus tradition on its head, replacing the elephants, lions and clown cars with a fusion of daredevil acrobatics, opera, dance and whimsy. It achieved pop culture status along the way—in *Madagascar 3*, Alex the Lion riffs on how French Canadians, “drunk off their maple syrup and cheap pharmaceuticals,” completely flipped the paradigm of traditional circuses. It has also spawned a cottage industry of business consultants who teach other companies how to replicate Cirque's innovation magic.

At full strength—as it was not long before the pandemic struck—the company would put on daily performances of its 13 big-top and arena touring shows in places ranging from Miami, Punta Cana and Seville to London, Brisbane and Paris. It also hosted 10 resident shows, seven of them in Las Vegas, packing in audiences up and down the strip. By some estimates, 40% of all show tickets sold in the entertainment capital of the world in 2019 were to see Cirque. And that didn't include performances by other Cirque-owned subsidiaries, including Blue Man Group and the Illusionist magic franchise. At the end of that year, Cirque boasted annual sales of US\$1.04 billion and posted earnings before income, taxes,

At Cirque's Montreal HQ in February 2020, an employee tries to fix a fan inside an animatronic polar bear



depreciation and amortization of around US\$120 million. “At their peak, they really did resemble the British Empire,” says Patrick Leroux, a circus scholar and associate dean of research at Concordia University's faculty of arts and science. “The sun never set on a Cirque du Soleil show.”

In many ways, Cirque is a child of globalization. Starting from its roots as a troupe of stilt-walkers and fire-eaters in the 1980s, it exploded in popularity during the 1990s and 2000s as technology and trade made the world feel smaller. It wasn't just the diverse makeup of its international workforce. By design, Cirque's style and music was at once culturally non-specific and immediately identifiable. The lyrics to its songs are generally a familiar gibberish that allows for cross-cultural appeal. The modern world's free flow of ideas and people made Cirque possible.

Even before countries closed and global trade routes seized up, the company's small world was growing



A technician works on safety harnesses and an acrobat from a show that was supposed to open in 2020 busts a move

harder to navigate. Tightening border restrictions under the Trump administration made processing as many as 7,000 visas and other permits a year more complicated. Rising diplomatic tensions with China hurt too: In December 2018, Cirque pulled out of talks to feature its performers in China's highly watched Spring Festival Gala on the same day that country seized Canadians Michael Spavor and Michael Kovrig in retaliation for Canada's arrest of a Chinese telecom executive on a U.S. warrant (though the company said the two weren't related).

But if the rise of nationalist populism and identity politics were making it more difficult to find a shared language that would transcend borders, those same borders would prove dangerously vulnerable to the invisible enemy of COVID-19.

C

Cirque's pre-pandemic success was grounded in its ability to juggle the competing demands of creativity and commerce. As Lamarre put it that February in Montreal, "If I were to listen to our creators, they never have enough money, and if I were to listen to

our business people, we're always spending too much." He knew all too well what could happen when both balls were dropped. In the wake of the 2008 financial crisis, Cirque suffered a string of disappointments as the recession sapped demand for its pricey tickets and the company turned out several creative duds that left it exposed. With profits falling, Cirque laid off hundreds of executives and performers, and embarked on a plan to diversify its business, with bold talk of theme parks, cabaret shows, movies and expansion into Asia. By 2015, however, Laliberté, then 55, put Cirque up for sale, saying he wanted to spend more time with his five children but also to explore

ventures in real estate, multimedia and technology. (Laliberté declined to be interviewed for this story.) Despite interest from 52 suitors, the winning bid was a consortium led by U.S. private equity firm TPG Capital, which bought a 55% stake. Shanghai-based Fosun Capital acquired 25%, and provincial pension fund manager Caisse de dépôt et placement du Québec bought 10%. The group reportedly paid US\$1.5 billion for the company, with Laliberté holding on to 10%.

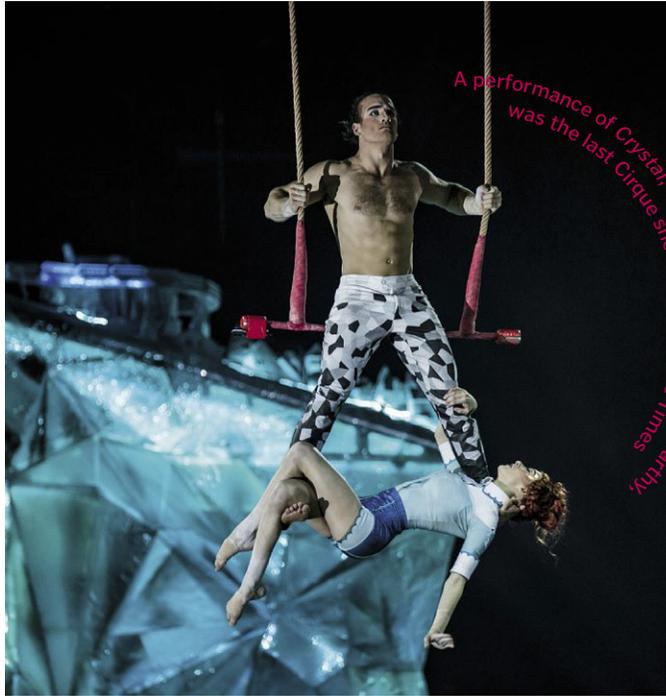
Aside from the predictable hand-wringing by Quebec nationalists over Cirque being owned by *des capitalistes américains*, the deal also caught attention for the financial acrobatics that enabled it. Like all leveraged buyout transactions, the TPG-led consortium paid for the takeover using debt, which it then put onto Cirque's balance sheet and let grow further over the next four years. By the end of 2019, Cirque owed US\$970 million in long-term debt, and Moody's, the credit-rating agency, had warned the company's "largely debt-funded expansion strategy could be unsustainable." If trouble ever arose, Moody's added prophetically, Cirque would have little room to maneuver.

Cirque's debt load didn't appear to concern its owners. As an LBO giant, TPG had already deployed US\$50 billion in nearly 200 transactions over the previous two decades, including many media and entertainment investments. Right till the end, Cirque was generating nearly US\$100 million a month in revenue and meeting its interest payments. Even today, those with knowledge of TPG's Cirque strategy call the focus on its debt a red herring. "Our debt was basically trading at par in advance of COVID, so the markets were saying Cirque was appropriately capitalized," says a source familiar with TPG's thinking.

The initial focus for the new owners was on improving efficiency. "Cirque had an abundance of culture and cult-like commitment to the brand, and at the same time it had an abundant lack of controls, accountability and responsibility for [profits and losses]," says Mitch Garber, the Montreal businessman who joined the TPG-led purchase of Cirque as its chair (he was replaced last September). "It's hard to be critical, because it worked for Guy. He's not an org chart guy. He's not a quarter-over-quarter growth guy, and he doesn't necessarily hold people accountable for missing their numbers, which is something that's necessary when running a

large organization.” To that end, more rigorous corporate reporting systems were put in place, as was a more disciplined process for greenlighting new projects. As part of an efficiency drive, Cirque also quietly cut more than 50 jobs in December 2019. “We did all those things, and we were really in a great position going into 2020,” says Garber.

But the new ownership group also saw Cirque as a one-of-a-kind global live entertainment platform. “Cirque’s capability set included recruiting unique talent around the world, dealing with a tonne of visa issues, moving performers around the world, paying people in multiple currencies, and being able to take any [intellectual property] and distribute it around the world,” says the source close to TPG. “There’s a long tail of mom-and-pop shows that have made it in one-off locations. Cirque could leverage its platform to distribute more shows and more show types globally.” Pursuing that strategy between 2017 and 2019, Cirque bought Blue Man Group (the one with the blue-painted bald artists and musicians), the Works (a troupe of touring magicians) and VStar Entertainment (which produces touring shows based



A performance of *Crystal*, featuring aerialist Emily McCarthy, was the last Cirque show in the Before Times.

on kids’ programs like *Paw Patrol*). In total during the TPG era, Cirque invested US\$300 million in acquisitions and new shows. (Not everything was a success—in addition to *R.U.N.*’s failure, a 40,000-square-foot football-themed interactive attraction in Times Square, launched in partnership with the National Football League in 2017, closed after only 10 months.) “We had a multiyear plan that was just about to hit its inflection point in 2020, where we were going to experience a lot of growth, on both the top line and bottom line, because of all the shows we were set to launch by the end of the year,” says the person close to TPG. “It was just horrific timing to have this kind of black swan event happen.”

By the time I met Lamarre again in Orlando in early March for the *Drawn to Life* preview, it was clear from the closure of Cirque’s shows in China, Hong Kong and Italy that the virus would affect the company’s plans for the year. Yet he main-

tained the new show at Disney Springs would open as planned for full previews two weeks later. In fact, for many of those attending the event, hope remained high that North America would be spared the worst. The optimists included me. I’d flown my family down for a side trip to Disney World, reassured by the fact the entire state of Florida had only seen a couple of cases so far.

The reality of my own naiveté was driven home 10 days after we got back to Toronto, when news broke that a 34-year-old man from California had fallen ill after visiting Disney World at the same time we were there. He tested positive for COVID-19 and was put on a ventilator. He died five days later, on March 19, a day before *Drawn to Life* was supposed to open its doors.

That never happened, of course. By then, Cirque was in freefall.

W

When Emily McCarthy stepped onto the ice at the arena in Sheffield, England, as part of Cirque’s touring show *Crystal* in early March 2020, it wasn’t just for any regular performance. Born in nearby Leeds, McCarthy had been part of Great Britain’s acrobatic gymnastics team from a young age. While competing in Florida, she was spotted by Cirque’s talent scouts. At 16, she ran away to join the circus, a journey that took her to more than three dozen countries. As an aerialist in the finale of *Crystal*, it was her first chance to perform the act in front of her home crowd. “It was mega-exciting to have all my family, friends, schoolteachers and gym coaches come to see me,” says McCarthy.

It was also in Sheffield that she first started paying attention to the spreading virus. By the time the tour moved to Glasgow the following week, it was no longer a distant concern. The

tour director called a full meeting to say Cirque was keeping an eye on the situation. The next day, another meeting was called, and performers were told that after the final show three days hence, everyone would be sent home. “The plan was to rekindle the show in Paris in September, and we all just thought, Wow, *five months away is such a big deal*,” says McCarthy.

Back at Cirque’s head office, the response to the mounting crisis had already started to scale up. The first show to close had been Cirque’s sole residency in China, *X: The Land of Fantasy* in Hangzhou, which shut down on Jan. 23, the same day the Chinese government imposed a dramatic lockdown of Wuhan. The move stung, given Cirque’s long-stated aspiration to grow in China, but the idea that the whole world would grind to a halt was still inconceivable.



On Feb. 21, Duncan Fisher, who'd joined Cirque two years earlier as vice-president of touring operations, got a message from a tour director with Blue Man Group, which was scheduled to travel to South Korea, where an outbreak had just occurred. Fisher spent the last week of February in Munich with the touring show *Totem*, which was set to visit Italy, Europe's hardest-hit country, the next month. There, too, questions were being asked about how to proceed.

Fisher rushed back to Montreal, where he was charged with setting up Cirque's crisis task force, which began meeting daily. Their discussions still largely focused on how Cirque could keep shows running in the face of widening government restrictions and what types of safety protocols were needed for employees and audiences. "There wasn't any talk of us shutting down," says Fisher. "It was, 'How do we operate in this new reality we're seeing?'"

As the situation worsened, the daily meetings grew to include more than 70 people. Despite their size, the gatherings were kept to around 45 minutes, with a strict time limit imposed on questions. "If we couldn't solve your problem in 60 seconds, we'd take it to a sidebar meeting," Fisher says. "Everybody in the company then knew exactly what was happening with every tour around the world."

That was the first week of March. By the second, "everybody knew what was coming our way," says Jean-François Girard-Berberi, then Cirque's head of talent operations. "Everything was moving so fast, you had very little time to react." (He left the company this past April.) One by one, its touring shows were shut down, and by Friday, March 13, all 13 of them—accounting for an estimated 65% of Cirque's revenue—had closed, save for *Crystal* in the U.K., where the government was slower to implement lockdowns.

For Lamarre, the halt was crushing. The only consolation, if it could be called that, was that the six remaining Cirque shows in Las Vegas were still operating, though he knew the clock was ticking. On March 14, the day after the Trump administration declared a national emergency, Lamarre sat in a chair at his hairstylist's as his phone pinged every few minutes with updates on the spreading crisis. Then came the call from MGM Resorts: All the Vegas hotels were closing, and with them the Cirque shows—*O* at the Bellagio, *Love* at the Mirage, *Kà* at MGM Grand, *Mystère* at Treasure Island, *Michael Jackson One* at Mandalay Bay and *Zumanity* at New York-New York. Lamarre excused himself and walked to his car in a daze. "I just collapsed in my car as I came to the understanding that Vegas was shutting down," he says. "It meant we had no more shows. It meant we had no more revenue."

As it turned out, the 1 p.m. performance of *Crystal* in Glasgow that Sunday would be Cirque's last show before locking down, making McCarthy's act one of the final performances before the company's collapse.

Crystal follows the subconscious journey of a young woman after she falls through a frozen pond, and as McCarthy stepped onto the ice, a narrator's voice echoed out: "It's easy to fall, harder to get back

up." After she's flung through the air repeatedly, McCarthy's act culminates with her heart-stopping plunge, headfirst, toward the ice from about 20 feet in the air, where she is caught at the last moment by another performer. "I wanted it to be perfect and to take in every moment," she says. "Once that final trick ended and I got in the finale position at the end of my act, I just started crying."

C

Cirque du Soleil is the United Nations of live entertainment. At its height, the company's 4,900 employees hailed from almost 90 different countries, and it maintained a small army of translators so they could all talk to one another. On its touring shows alone, there were 1,500 performers, artists and technicians from 50 nations. Nearly all of them would soon be out of a job. And with borders rapidly closing, they all had to get home.

While many employees had heard from their local managers that shows were being put on hold indefinitely, official word came from Lamarre via a short video posted on the company's internal communications hub at noon on March 19. Cirque would be laying off 4,679 employees, he said, retaining a bare-bones staff of 259 in Montreal. "This is a temporary situation," he tried to assure them.

Behind the scenes, the massive logistical dance of repatriating everyone was already underway. "All the barriers at the company dropped, and everybody wanted to work together to help employees and save the company," says Girard-Berberi. Members of the tour services team in Montreal, along with local tour managers, began frantically booking flights through Expedia for all 1,500 touring employees. With employees hailing from countries as diverse as Kazakhstan, Switzerland, Belarus, Moldova, Denmark, Taiwan, Australia, Russia, Colombia, Japan, Finland, Italy and Brazil, the flights crisscrossed the globe. All told, the bill for airfare was close to \$1 million. Yet within a matter of days, the mass mobilization was complete. "From when we started shutting down, it took us 10 days to get everybody home," says Fisher.

Well, almost everybody. Eight Mongolians who'd worked on various Cirque shows found themselves trapped when their country closed its borders, even to its own citizens. Ninjin Altankhuyag, a 25-year-old contortionist with the show *Kooza*, was one of them. From the age of seven, when Cirque came to Mongolia for a casting call, she'd wanted to join the company, and she got her chance in 2014. *Kooza* was in Lyons, France, when it was shut down. "Cirque found us an apartment to stay in until we could get back home," she says, "We really appreciated it." As the weeks turned to months, she mostly watched TV and cooked. "I learned a lot of new recipes," she says. Finally, in August, they were able to snag a spot on a special charter flight to Ulaanbaatar.

Before employees left their tour sites that March, they'd helped tear down most of the tents and pack up the arena shows. Tents at three tour sites, in Melbourne, Houston and Montreal, were left up in the hope that shows might resume in the coming months, but eventually those too were dismantled. That left Fisher with the question of where to put them all, along with costumes, booths, sound and lighting equipment. Gear from Europe went to the warehouses of a truck-

ing company in Amsterdam, while the rest was loaded into trucks and stored in Las Vegas or Montreal. In all, nearly 700 tractor-trailers were packed away.

Many of them still sit in the parking lot beside Cirque's headquarters. "When I see them, truck after truck after truck, it just hits me in the gut," says Leroux, the professor at Concordia, who also teaches at the National Circus School across from Cirque's offices. "The first time I saw them, I thought, *Oh my God, so this is what a multinational touring force looks like at a standstill*. It's heartbreaking to see so much creativity, so much potential, so much investment and so many dreams just sitting there in a parking lot."

In the world of theatre, it's tradition to leave a single lit lamp, known as a ghost light, onstage after everyone has left for the day. In Melbourne, after packing away the equipment for *Kurios*, that's what employees did, where Cirque's big top once stood at the Flemington Racecourse. The light stayed lit until this past April, when Cirque had to clear out for good.

T

The crisis facing Cirque wasn't entirely unprecedented. The 1918 Spanish flu triggered government lockdowns that forced circuses across America to end their touring seasons early. In October of that year, Charles Ringling notified the 1,200 employees of the Ringling Bros. World's Greatest Shows the circus was shutting down. The next day, it staged its final standalone performance. By the next spring, it had merged with Barnum & Bailey, and the combined company was back on the road at full force.

At Cirque, as with the rest of the world, no one knew how long COVID-19 would keep its grip on the global economy, but early on there was hope the crisis wouldn't last. "We went from almost US\$100 million a month to zero in a week, and I think we all naively thought we'd be able to recapitalize the business and by the end of the summer or beginning of fall this thing would be over," says then chief financial officer Stéphane Lefebvre, who joined Cirque in 2016 and was recently named chief operating officer.

The financial nightmare would last much longer than that.

In theory, Cirque had three options. It could tap the government for a bailout. It could get its existing investors, TPG, Fosun and Caisse, to inject more cash to keep the company afloat. Or it could file for protection from its creditors.

Lamarre preferred the first two options, and he turned to the Caisse for support. The pension fund had extra motivation to see Cirque survive intact. Less than two months earlier, in February 2020, in what might go down as the most perfectly timed asset sale ever, Laliberté unloaded his remaining 10% stake on the Caisse for US\$75 million, thereby doubling the pension fund's exposure to the company. By early May, Cirque had secured a loan of US\$50 million in "emergency funds" from its ownership group, and the Quebec government pledged up to \$200 million to help Cirque get back on its feet, providing control was anchored in Quebec and the existing owners maintained control. Cirque's immediate future seemed safe.

But there was a problem. Cirque had already failed to make roughly US\$20 million in interest and principal payments to its creditors in March 2020. And just before doing so, Cirque's ownership group had transferred intellectual property assets,

including the Cirque du Soleil trademark, to a separate holding company they controlled. If Cirque filed for bankruptcy protection, lenders might no longer have a claim on the Cirque brand—arguably its most valuable asset—in many parts of the world. And bankruptcy was looking increasingly likely. Moody's slashed Cirque's credit rating deep into junk territory and warned the pandemic shutdown had "significantly heighten[ed] the company's risk of default."

When the asset shuffle eventually came to light, it put Cirque and its existing ownership group on a collision course with debtholders. "To the extent they were taking security away from the lending group and the lending group doesn't have the ability to call on that security anymore, that reduces your pool of collateral, whether or not the company is insolvent," says Joe Pasquariello, a partner and head of the corporate restructuring group at Goodmans, which represented a committee of secured creditors.

Enter Catalyst Capital. Controlled by secretive Toronto financier Newton Glassman, the private equity firm specializes in acquiring distressed assets, like the secured debt of struggling companies, on the cheap. It then restructures the businesses with the goal of spinning them off at a profit. Through March and April 2020, Catalyst, led by managing director Gabriel de Alba, began quietly buying up Cirque's first-lien debt (the first in line to be paid when a borrower defaults) at around 50 cents on the dollar.

With US\$4.3 billion in capital commitments, Catalyst's strategy has put it at the centre of some of Canada's largest restructurings, including those of broadcaster Canwest Global, steelmaker Stelco and theatre giant Imax. But it has also been stuck with holdings it failed to unload profitably, such as Advantage Rent A Car, which filed for bankruptcy protection for the third time in May 2020, and Gateway Casinos, which saw a US\$1.1-billion sale collapse last year. The firm has also pushed limits in its battles with adversaries. A recent Ontario court ruling revealed Catalyst had indirectly paid up to US\$11 million to Black Cube, an Israeli private investigation outfit, which carried out a sting on a former Ontario Superior Court judge who had previously ruled against Catalyst, in an attempt to discredit him. Catalyst has said it was unaware of Black Cube's actions. (De Alba declined requests for an interview.)

In the wake of the transfer of Cirque's trademark, Catalyst assembled an ad hoc group of other lenders and negotiated with Cirque to replace the \$50-million loan from its owners with one from the creditors.

By then, though, the struggle for Cirque du Soleil's soul had become an all-out brawl. Pierre Karl Péladeau, CEO of media giant Québecor, vowed to "rescue" Cirque with a vague pledge of "several hundred millions of dollars." Péladeau also took a shot at Lamarre and Garber, then Cirque's chair, on social media: "The accounting truth demonstrates beyond any doubt that the management of [Lamarre and Garber] has been more than deficient...Cirque and its talents must be saved." (Garber fired back on Twitter: "My life would have been so much easier with much less risk if my



Brittany Gee-Moore installed a 24-foot rig in her parents' backyard in Burnaby, B.C., to stay in shape during the layoff

daddy gave me my company and a few billion dollars. Unfortunately, I had to build and learn from scratch. You'll always be the guy born at third base but convinced you hit a triple.”)

Even Laliberté wanted back in. “As Cirque faces the biggest challenge of its existence, we’re about to see a wrestling match involving a number of players,” he wrote in an open letter last May. “From my point of view, we’re in for a battle royale.”

W

While all this was going on, Cirque’s former employees were struggling to adjust to life off the stage. The company had allowed everyone to keep their work computers and phones so they could stay connected. Yet as billions around the world were learning, lockdowns can be gruelling, especially for people accustomed to performing daring feats of athleticism in front of cheering audiences 350 times a year.

For *Crystal’s* McCarthy, her very identity came into question. “From when I was 16 until 25, Cirque was all I’d known,” she says. “It’s been my one and only job, and so coming off the tour, I really was unsure about who I was.” Absent the pressures of the show, she lost her motivation to train. “I was rubbish. I was drinking wine every night, just watching Netflix and not knowing what to do with myself,” she says.

Some of the many performers back in Montreal moved in together to form bubbles around specific acts. “If you had five people who do a Korean

plank act, you’d find the largest apartment you could and all move in to train together,” says Concordia’s Leroux. Others sought out specialized gear that was sitting unused in empty gyms. Brittany Gee-Moore, an aerialist rope performer with *Messi10*—a show inspired by Argentinian soccer star Lionel Messi that had been on tour in Qatar—returned to her parents’ home in Burnaby, B.C., and tracked down a 24-foot-tall aerial rig that she set up in their backyard. “I’m not really sure if it was legal, but I was able to train six days a week on it, sometimes with the neighbours watching,” she says.

Aside from the physical and psychological challenges brought on by Cirque’s collapse, there was also the financial burden. Cirque often describes itself as a family, and in many cases that’s the literal truth. Workplace romances are common, so when the company shut down, many employees also had a partner who was suddenly out of work. That was the case for Caroline Lauzon, who performs in the Las Vegas show *O* and whose husband is a rollerblader in *Love*. “When we closed, I think everyone was a bit relieved they could go in their cocoon and stay safe,” she says. “But after a few weeks, it dawned on us that we’re not going back for a while.”

Lauzon was fortunate to have obtained her real estate licence a few years earlier—“I’m going to be 40 in two years, so I had to plan ahead because the body can’t do Cirque forever”—so she began working in Las Vegas’s surging real estate market. She knew others who weren’t so lucky. The previous winter, Cirque had hired 40 more artists for *O* in order to perform the show seven days a week, but they hadn’t worked long enough to qualify for unemployment benefits. “Some of them spent all their money moving here and had no money coming in,” Lauzon says. “They were standing in lines for free food.” Lauzon set up a GoFundMe campaign that raised enough to give US\$1,000 each to 21 performers.

While Cirque’s full-time employees had all been paid in full for the work they’d done before the layoff, that wasn’t the case for the many contractors and freelancers. Gabriel Dubé-Dupuis grew up around Cirque—his father played the Baby in *Mystère* when the show debuted in Vegas in 1993—and he joined the company 25 years ago. He was a creative director for shows being developed for cruise ships when Cirque terminated his contract. Dubé-Dupuis was still owed \$70,000 and was told that as a supplier, he was at the bottom of the list of creditors. “I was shocked,” he says. “If we provided basically the soul of the company over the last 35 years, how can you consider us the same way you would consider Hydro-Québec providing electricity to the building?” In May and June 2020, he organized protests in Montreal with other Cirque contractors who were owed a combined \$1 million. But as the summer wore on, he didn’t know when or if he would be paid.

As for McCarthy, she recalls the day she woke up and realized only one person could determine how long she’d feel unmotivated. She started training again that morning. Her brother had started his own company selling calisthenics and bodyweight training equipment, so she bought a stake in the business. She also set up her own YouTube channel, which amassed 70,000 subscribers, and began offering flexibility classes on Zoom.

“I feel very fortunate to have had such a good experience over this,” McCarthy says, “even though it took me a little while to get there.”



C

Cirque du Soleil itself saw a bit of good news last summer. Immediately after its live shows shut down, the company launched a digital portal, CirqueConnect, and began airing weekly specials featuring acts from its shows. The videos quickly racked up more than 65 million views. Meanwhile, Cirque's corporate partners were stepping up—Sun Life, a longtime sponsor and Cirque's group insurance provider, kept its rates at the level of a company with nearly 5,000 employees, even though the insured group had shrunk dramatically. What's more, by early June China had brought the virus under control, paving the way for Cirque's show in Hangzhou to relaunch. Performances of another show, *Joyà*, at the Riviera Maya resort in Mexico, resumed shortly after.

Reality soon came crashing back. With its emergency funding running out, Cirque buckled under the weight of its debt and the ongoing shutdown, and filed for protection from its creditors late in June 2020. At the same time, it announced a so-called stalking-horse bid (which sets a floor for other bids to follow) from existing shareholders, through a new company called Trapeze Holdings, that would see them reduce the company's debt and inject US\$300 million to restart its shows. The proposal would leave Cirque's creditors holding just 45% of the equity.

In an internal video to employees, Lamarre called the filing a "necessary step for Cirque's survival and a springboard for the organization's revival," but he also let them know Cirque "can no longer afford to keep our employees on temporary layoff." The layoffs were now permanent, save for about 600 workers in Las Vegas and Orlando who would be kept on to help shows in those cities eventually relaunch.

The bankruptcy filing blindsided the creditor group, which had signalled interest about launching its own stalking horse bid, says Pasquariello, the lawyer representing Cirque creditors. The group of lenders quickly signalled it wouldn't support the transaction. "The lender group wasn't interested in dilly-dallying when a bid wasn't going to be serious and

competitive with the lending group's own offer," says Pasquariello. Days later, the creditors put forward their own offer, through their own circusy-named holding company, Spectacle BidCo., to buy, among other assets, "the storyline, plot, themes, characters, concept developments, ideas, costumes, sets, props, choreographies, performances, makeup design, lighting concepts, sound designs, musical compositions and staging of any live entertainment program" of Cirque for US\$1.2 billion, including US\$375 million in new money. The deal would cut Cirque's debt by more than 30%. The creditor group also committed to keeping Cirque's headquarters in Quebec for at least five years.

Other bidders had until Aug. 18 to come up with better offers, but they all had to meet one somewhat unusual demand. Embedded in the first Trapeze bid was a non-negotiable Cirque requirement that whoever ended up owning the company would establish a US\$15-million fund to help terminated employees, and another fund for freelancers and contractors. "It was odd," says then CFO Lefebvre, "but when you know what the DNA of this company is, it's not a surprise that we would think about these things."

In every way, the pandemic made the already complex proceedings even more strained. Lefebvre and Lamarre had to do half a dozen five-hour presentations to potential bidders virtually. Hundreds of teleconference calls were made between creditors, lawyers, existing shareholders and financial advisers, all while juggling stay-at-home orders, family demands and pandemic stress. "I think every financial and legal professional who has played in this field over a long time would say this was one of the most challenging restructuring files they'd ever seen," says Pasquariello.

While a wide array of potential bidders reportedly



examined Cirque's books, including Quebecor, Rogers Communications, Goldman Sachs and Feld Entertainment (which once owned Ringling Bros. and Barnum & Bailey Circus and now operates Disney on Ice), no bid could top that of the creditors. As lenders, only they could include the face value of the company's US\$1 billion in debt as part of their bid, an insurmountable hurdle for other contenders.

With that, Cirque became a holding of its lenders, led by Catalyst and including Sound Point Capital and CBAM Partners of New York. It struck many as an odd fit. A company that embodies hope and joy was now controlled by one of Bay Street's most ruthless dealmakers in Glassman, who once told a reporter, "You have to be unaffected by conflict to be decent at distressed [debt investing] because it's a highly adversarial process...You are dealing with desperate people, and desperate people try desperate things."

The deal received court approval and closed in November 2020. Most of Cirque's existing management team stayed in place, and Jim Murren, the former CEO of MGM Resorts International—Cirque's biggest partner in Vegas—was named co-chair with de Alba.

As for TPG, Fosun and Caisse, their equity holdings were wiped out. For the Caisse, that meant not just the US\$71 million it invested in 2015, but also the US\$75 million it paid Laliberté only four months before the bankruptcy filing. When Caisse CEO Charles Emond was later grilled by the Quebec National Assembly's public finance committee, he defended both the February purchase, which he claimed would have given the fund more sway to address Cirque's swelling debt, and the decision to write off its stake. "The Cirque went from \$100 million per month to zero, with employees to pay and suppliers to pay, in 48 hours," he said. "It was probably the first business to close. It will most likely be the last to reopen."



One year after Cirque du Soleil's nightmare began, in March, Lefebvre and Lamarre held a video call with employees. The message was simple, says Lefebvre: "We might not be out of the worldwide health crisis at this time, but the company is definitely out of its financial crisis created by the public health crisis."

Normalcy has begun to return, slowly. In March, Dubé-Dupuis, who was among the contractors still waiting to be paid for work completed before the pandemic, got a call from his bank asking why \$70,000 had just been deposited into his account. He'd reached out to Catalyst after it won control of Cirque and told the new owners of the contractors' situation, and de Alba assured him Cirque was working on it. In all, US\$3.6 million was paid out to Cirque's former contractors and freelancers that month. "This is a step in the right direction," Dubé-Dupuis said the day after getting paid. "Good things can happen."

Payments from the special US\$15-million employee fund are also close to being issued, Cirque officials say.

The fund got bogged down last fall in a dispute between Canada Revenue Agency and Cirque's new owners over the tax treatment of the payments, which would amount to US\$3,000 per employee. At one point, an exasperated Quebec Superior Court judge, Louis Gouin, who oversaw the bankruptcy filing, urged the two sides to work out their differences on compassionate grounds. "This is my human side talking," he told the lawyers. "These are really exceptional times. Those acrobats can't find a job tomorrow. I very much, very much would prefer that you find a way to do this."

The clearest signal that Cirque's revival is underway came this April, when it officially announced its long-awaited return plan. After Nevada's governor set a goal of reopening the state at full capacity by June 1, Cirque picked two shows to lead its relaunch—*Mystère* at Treasure Island in late June and *O* at the Bellagio on July 1. It was a symbolic choice: The two shows were Cirque's first resident performances in Vegas in the 1990s and helped rewrite the idea of the city as an entertainment destination while also catapulting Cirque to new heights as an international brand.

Cirque's remaining Vegas shows, *Love*, *Michael Jackson One* and *Kà*, will follow this fall. (Missing from the list: *Zumanity*, the Cirque's R-rated venture into erotic cabaret. After 17 years, it was closed for good last November.) In Florida, the company is hoping to launch *Drawn to Life* sometime in the fall. Two of Cirque's touring shows also got start dates—*Kooza* will begin performances in the Dominican Republic in November, followed by *Luzia* at London's Royal Albert Hall next January. "The intermission is over," says Lamarre.

Cirque's revival is a moment Diane Quinn has been preparing for. When the COVID-19 crisis began, Cirque's chief creative officer threw herself into the world of pandemic research. As her understanding grew, her questions for the experts became more specific. What effect does virus shedding have on the distance particles travel when Cirque's singers are performing live? How far apart should clowns be when speaking to each other or to audiences? What types of HVAC facilities are in place in different venues? "I don't pretend to be an expert, but I feel like I've had quite an education in COVID," says Quinn.

Last December, she got an opportunity to put some of what she'd learned into practice. In Kissimmee, Fla., a small circus show Cirque had acquired was gearing up to perform over the holidays. Quinn recorded the square footage of all the rooms, traced the paths everyone would walk backstage to ensure they didn't get too close and established an isolation booth in case someone showed symptoms. It was also a chance to test the company Cirque has hired to conduct daily testing—to gain access to the theatres, employees will have to display a QR code on their smartphones proving they've tested negative. "I was filled with anxiety, wondering, *How can I keep all of these artists and staff safe?*" she says. The work paid off. "There were no issues, no cases, no sickness, and we provided a socially distanced show for the audience."

That show had nine performers. Replicating that for a complex 90-minute spectacle like *O* with a cast of 85 is next. "Regardless of whether we have one show up and running or 20 shows, these are the policies and procedures everyone is going to abide by," Quinn says.

Even so, relaunching just one Cirque show will be a huge undertaking. Each will require roughly two months of intense



training and rehearsals, and cost between US\$2 million and US\$4 million to restart. The decision to proceed in Vegas is also a wager that another wave driven by COVID variants doesn't force another shutdown. So far the news is good. At the end of April, Nevada's seven-day average for new cases was 372, roughly in line with where it had been two months earlier, while 43% of adults in the county had received at least one vaccine dose.

A quick scan of ticket-booking sites for *O* and *Mystère* revealed both had sold roughly half the seats to their first few performances in a matter of days. For the following weeks, however, most seats were still up for grabs. Lamarre is betting that will change as the vaccine rollout accelerates and stir-crazy Cirque fans from other parts of the country desperately flee their lockdown digs. "If you're an American and you are vaccinated, then you're going to want to travel," he says. "But guess what? There's almost nowhere in the world for them to go, so they'll probably decide to go to Vegas or Orlando."

E

Early in April, a TV crew from Mark Burnett's L.A. production company arrived in Las Vegas. Burnett, the creative mind behind *Survivor* and *The Apprentice*, had already been working with Cirque pre-pandemic to develop a reality show centred on the casting process. Now the cameras are following the on- and off-stage lives of Cirque performers as they prepare to bring its famous water show, *O*, back to life. "We really want to shine the spotlight on the artists, technicians and individuals throughout the company moving forward, not just for this project but for our global content slate," says Sébastien Ouimet, director of global content and strategic partnerships at Cirque. "We'll continue filming until *O* is back performing, and we can feel the excitement of mission accomplished."

No one at Cirque is under any illusion that mounting a handful of shows means the company has reclaimed its former glory. Putting the massive machinery of Cirque's touring division back together is expected to stretch well into 2022. Cirque will eventually have to find a way to move its people and gear back into place in a world where vaccine passports and COVID flare-ups may be the norm. Tour schedules are also typically mapped out up to 18 months in advance to line up promoters, secure locations and ensure shows can move from city to city with minimal downtime. "The reboot of Cirque is not like just putting Lady Gaga back on tour. This is going to take months to years of investment," says the source familiar with TPG's original Cirque plans, now watching from the sidelines. Moody's, a more impartial observer, likewise noted in December that Cirque's relaunch will burn through much of its cash by the end of 2022, "leav[ing] Cirque du Soleil with limited flexibility to absorb any material underperformance against their business plan during the extended ramp-up phase." However, Moody's also

believes Cirque "will be able to rebuild scale with limited investment by leveraging a portfolio of shows with longstanding popularity."

Fisher, the man in charge of remounting Cirque's touring division, is philosophical about the challenge. "How do you eat an elephant? You do it one bite at a time," Fisher says. When the world has sufficiently reopened, touring shows will be launched gradually, likely two at once, he says. Meanwhile, Lefebvre says the US\$375-million capital infusion Cirque received from its new owners means he doesn't anticipate needing to raise capital to finance the revival.

One question facing Cirque is how many of its former employees will come back. "I don't think people understand how difficult it is to let go of 4,000 acrobats and then just will them back one day," says former chair Mitch Garber.

In one troubling sign, En Piste, the National Circus Arts Alliance of Canada, surveyed nearly 400 circus artists late last year and found 94% were considering a career change. Cirque, however, has contacted many of its former employees and found more than 90% are eager to return.

Perhaps a bigger question—after the layoffs, the bankruptcy and the ownership change—is whether Cirque can recapture the edge that once defined it. Quinn, Cirque's chief creative officer, predicts the crisis will give birth to a "creative renaissance...We've all gone through a lot of hardship over the last year, but the ideas people are already having are hopeful and joyous and full of positivity."

Ultimately, though, Cirque's creative future depends entirely on the new owners, says Yasmine Khalil, Cirque's former chief executive producer, who left the company last fall. Is their goal to stabilize their investment or take on new risks? "A brand that is loved and known for innovation, creativity and joy at a time when that's what we need the most is a tremendous opportunity for Cirque to leap into new opportunities," she says. "But ultimately, if you don't continuously reinvent yourself, I think you run the risk of ending up like Polaroid, a company that was very strong in one field but failed to pivot."

So far Cirque's new owners have said little about their long-term vision. In the only public comments Catalyst's de Alba has made since the takeover, he said Cirque's future lies in the digital realm. "You've seen that Disney is bringing some theatrical shows to Disney+, like *Hamilton*, with great success," he told *The Globe and Mail* last August. "I foresee that Cirque shows can also be part of these types of streaming platforms." It's a strategy Cirque had been inching toward prior to the pandemic, and its success with its CirqueConnect digital hub and ongoing projects to bring a Cirque-related animated children's show to life prove the strategy has potential.

As for Lamarre, he's optimistic (as usual) about Cirque's new owners. "People fall in love with Cirque du Soleil, and that's what I'm observing again right now," he says. "We've spent a lot of time together, which is as important to me as it is to them, because I want them to understand our business inside and out."

Above all, Lamarre is aching to experience a live Cirque performance once again. "I cannot wait to do what I love in life, which is go to all these shows, go backstage, and chat with our artists and be fed by their passion," he says. "For the last year I've tried to visualize Cirque's revival. Now I don't have to force myself to visualize it, because it's happening." ●



2021
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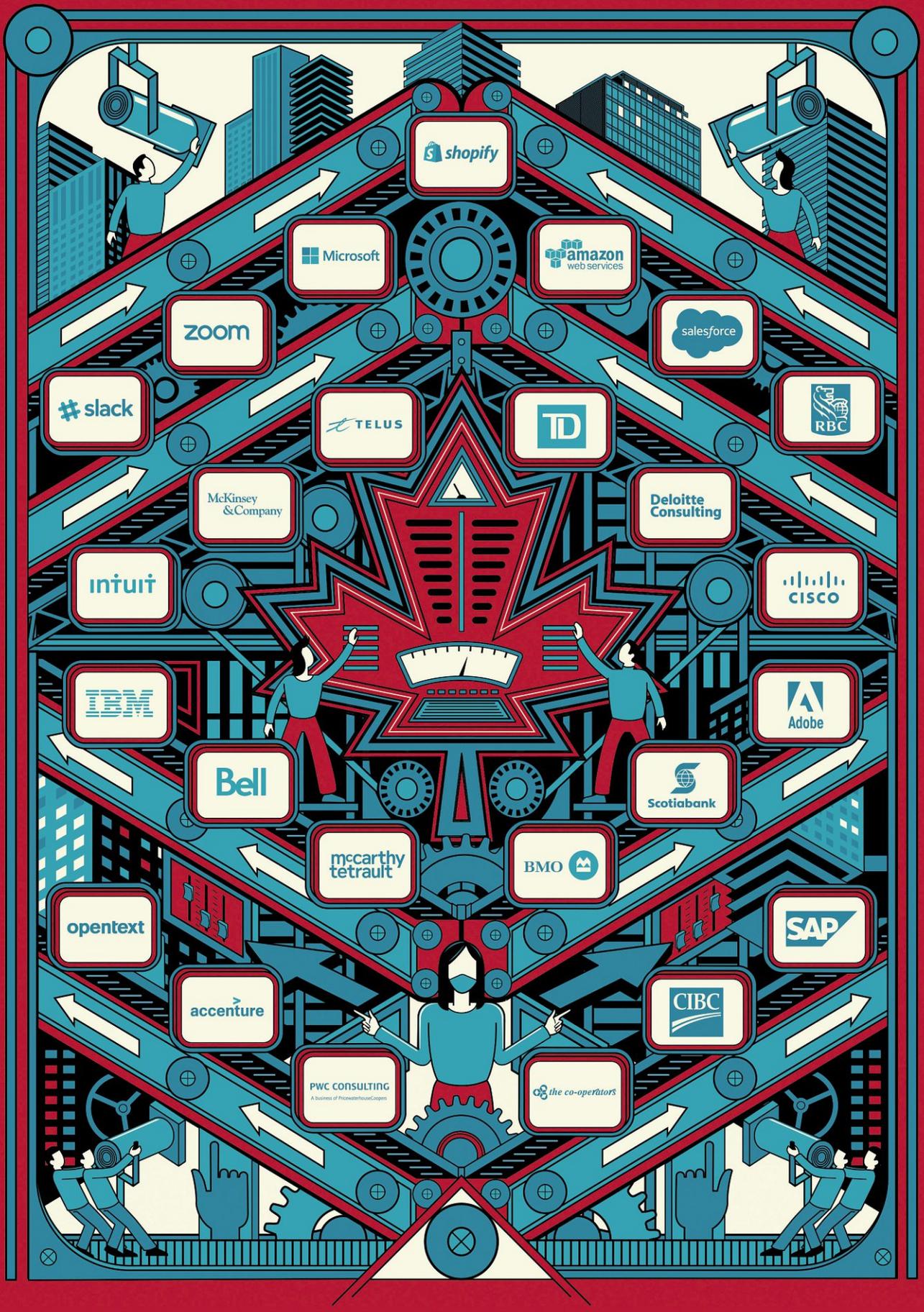
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STRIKE UP THE BRANDS

When the pandemic tossed millions of people from their offices last year, many companies relied on Microsoft to help figure out how to work from home.

Microsoft Teams, the company's business communications app, reportedly now has 145 million daily active users, up from just 32 million at the start of the pandemic. It was the key tool Lisa Gibson and her team recommended to help their clients work and learn remotely.

Gibson, who is business manager and head of communications for Microsoft Canada, says customers all have their own unique needs, and it is her company's job to understand what will work best for each. The ability to act upon consumer feedback is part of what has made Microsoft into a trailblazer, Gibson says.

"It's not about coming into a conversation with the customer, thinking you know all the answers," she says. "It's really trying to learn from them about what they need."

Indeed, Microsoft has made myriad upgrades to Teams as its popularity has skyrocketed, including features to celebrate colleagues' accomplishments and a virtual "commute" that offers uninterrupted time at the start and end of the day. This constant iteration is part of what

BY **AALIYAH DASOO**

ILLUSTRATION
ANDRÁS BARANYAI

landed Microsoft in the second spot on Report on Business's inaugural ranking of the best business-to-business brands in Canada, just behind Shopify. Among the 406 Canadian executives (68% of them at the vice-president level or above) surveyed by market research firm Ipsos in partnership with The Globe and Mail, Microsoft received the highest marks for being trusted more than other companies in its sector. It was also ahead of many competitors in leading a digital transformation and offering unique tools and technology.

Overall, the ranking covered 74 companies in seven different sectors to define what B2B excellence looks like today. The language, wording and overall themes of the survey were refined through interviews with an advisory group of 10 executives. "Insights obtained from the interviews ensured our study captured the most critical and relevant issues for Canadian executives," says Mary Beth Barbour, senior vice-president at Ipsos.

Survey participants were asked about 10 randomly selected companies they were familiar with and whether 42 different statements, from being "more innovative than peers" to "allows employees to be themselves" to "demonstrated agility in COVID," applied to those firms.

To aid in determining the brands' individual strengths, Ipsos applied a model to classify various attributes by five broad categories. Different companies showed strength in different dimensions. For example, Shopify—our top company overall—was viewed by respondents as excelling at "trail-blazing," meaning it ranked highly in areas related to digital transformation, innovation and growth. In comparison, seventh-place RBC received its highest marks for its efforts on community and charitable projects, making it a leader in "social responsibility." Other firms, like 11th-place Deloitte Consulting, built their brands on "talent attraction," or their skill in finding and retaining top employees, clients and leaders.

A dominant theme across the ranking was a high regard for companies leading the digital transformation of the economy, according to Barbour. To wit, the top six brands—Shopify, Microsoft, Amazon Web Services, Salesforce, Zoom and Slack—are all tech companies.

Like Microsoft's Gibson, executives at other top-ranked firms say successful innovation is guided by customers' needs. "This past year has shifted industry norms, how we use products, and increased the desire for more innovation," says Ian Black, Shopify's managing director of Canada, in an email interview. "As a leading commerce company, the key is to be user-obsessed or, as we call it, merchant-obsessed. At Shopify, everything on our product road map is directly correlated to a problem our merchants worldwide are facing."

While Shopify is merchant-obsessed, Amazon Web Services Canada is guided by a principle of "customer obsession," according to Eric Gales, the company's country manager. That means understanding what

METHODOLOGY

The 2021 Report on Business ranking of Best B2B Brands is based on research produced in partnership with Ipsos. We developed an online survey designed to evaluate 74 brands in seven industry categories (accounting, banking, communications, consulting, enterprise software, group benefits and legal), with evaluated brands chosen based on market share, size and national reach. We fielded the survey to a select pool of business leaders from Jan. 7 through Feb. 16, 2021. The survey results are based on the feedback of 406 respondents in executive roles. Each respondent rated a randomized assortment of business brands they were familiar with, using 42 different attributes related to client engagement, culture, innovation, social responsibility and talent. The 25 brands that scored highest overall, as well as the top three brands in each industry category, are included as 2021 Best B2B Brands winners.

is most important to consumers—and then giving it to them.

"Customers enjoy the fact that we really care about them and their business," says Gales. "But it's also very attractive to the people who work for us. People enjoy that philosophy and being part of a culture that really cares about customers." In addition to ranking third overall, AWS was among the top five companies for many attributes of client engagement, such as being easy to work with, responsiveness and agility during the pandemic.

Gales says it's been "really satisfying" to see the company support customers in the COVID-19 emergency.

Showing that kind of social responsibility was another common factor among many of the top-ranked companies. "When the pandemic is over, it's likely that brands will not be judged on what they said, but what they did," says Steve Levy, a senior leader at Ipsos.

Levy highlighted two brands—RBC and Telus—that scored well on social responsibility. Neither is the most innovative or fast-moving, but both worked to show support for Canadians through the tough times of the pandemic. Levy says that is what got them into the Top 10. "I suspect that when we look back, they will both be brands that we judge well and that I think this business community is already judging [well]," he says.

Telus has put more than \$150 million toward COVID-19 efforts. Initiatives like Tech for Good (a program that provides specialized assistance, training and assistive technology to Canadians with disabilities) and Health for Good (which funds mobile health clinics) reflect the telecom's commitment to supporting Canada's vulnerable populations, says Navin Arora, who is president of Telus Business Solutions. "Doing good in our communities and doing well in business are mutually inclusive," he says.

TD Bank similarly tries to find areas where its business interests intersect with societal good. It ranks second in the banking category behind RBC and ninth overall, just behind Telus. "Authenticity is finding those areas where we can both grow the business and contribute positively to society, and that is really, really impactful," says Andrea Barrack, global head of ESG and corporate citizenship at TD. She says companies looking to build a strong brand should do more than simply pick "a flavour of the month" to support, but instead consider what

matters most to both the business and its stakeholders.

Many brands likely earned respect for their actions over the past year. But others succeeded not because of recent events, but in spite of them. McKinsey & Co., which has faced multiple controversies (including advising U.S. Immigration and Customs Enforcement on managing detention facilities under the Trump administration and drug company Purdue Pharma on ways to increase sales of the opioid OxyContin) was the top-ranked consulting company. The strength of McKinsey's brand lies in the deep reservoir of trust it has, according to Levy.

Such a PR storm would be more difficult for brands newer to the market that don't have McKinsey's history, Levy says. Other large companies have made potentially brand-killing mistakes—for example, Samsung faced a scandal with its smartphones catching fire—but their strong equity has allowed them to work through the struggles

An often-overlooked component of a company's brand is its ability to take care of its own employees. Shopify was also tops on attributes like "allowing employees to be themselves" and hav-

“WHEN THE PANDEMIC IS OVER,
IT'S LIKELY THAT BRANDS WILL
NOT BE JUDGED ON WHAT THEY SAID,
BUT WHAT THEY DID”



ing a desirable corporate culture. “We understand everyone's journey here is different,” says Black. “We don't hire people for what they can do—we hire for what we believe they can figure out. It's up to each individual to figure out how to create the biggest impact at Shopify and help solve the biggest problems in commerce.”

Microsoft, meanwhile, received the highest scores of any company for both attracting and retaining top talent. Over the course of the pandemic, the firm has accommodated employees by offering paid leave for child or elderly care, wellness days and flexibility with timing and duration of meetings. “We're empowered to work how, when and where we want and need to work, in order to do our best job,” says Gibson.

She says the company remains focused on improvement—of its culture, along with its technology. “We feel really good about our culture, being diverse and inclusive, and allowing people to be their authentic selves. But it's something you've got to keep working at.”



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FOR EACH OF THE LEADING COMPANIES, WE'VE HIGHLIGHTED WHICH OF FIVE BROAD DIMENSIONS SETS THEM APART FROM THE MARKET: TRAIL BLAZING, CLIENT ENGAGEMENT, SOCIAL RESPONSIBILITY, TALENT ATTRACTION OR CULTURE. PLUS, WE SHARE TWO ATTRIBUTES WITHIN THAT DIMENSION THAT TRULY MADE THEM SHINE



TOP 25

■ FIRST ATTRIBUTE
■ SECOND ATTRIBUTE

1



SECTOR | **SOFTWARE** STRONGEST DIMENSION | **TRAIL BLAZING**

81%

Ahead of others leading digital transformation

79%

Demonstrated considerable growth in recent years

In addition to top company, Shopify also boasted strongest marks for "treating employees well"



SECTOR | **SOFTWARE**
STRONGEST DIMENSION | **TRAIL BLAZING**

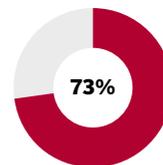
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3

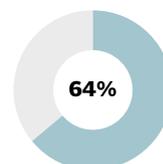
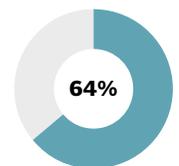


SECTOR | **SOFTWARE**
STRONGEST DIMENSION | **TRAIL BLAZING**



Demonstrated considerable growth in recent years

Have competitive advantage over its competitors



Leading the way in the adoption of new tech/tools

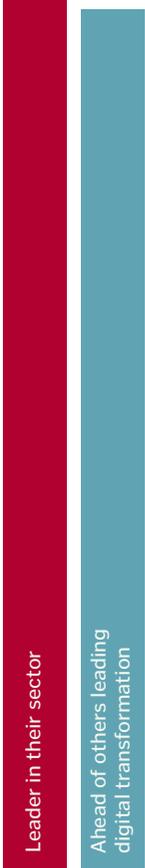
4



SECTOR | SOFTWARE
STRONGEST DIMENSION | TRAIL BLAZING

Respondents said it does the best job overall of attracting successful clients

64%
61%



zoom

SECTOR | COMMUNICATIONS
STRONGEST DIMENSION | TRAIL BLAZING

5

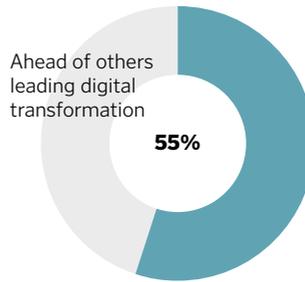
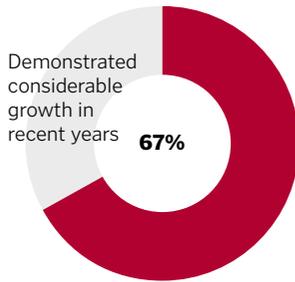
72%
Demonstrated considerable growth in recent years

58%
Leading the way in the adoption of new tech/tools

6



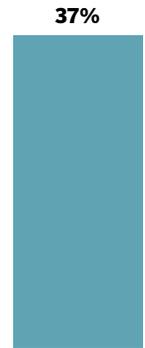
SECTOR | COMMUNICATIONS
STRONGEST DIMENSION | TRAIL BLAZING



7



SECTOR | BANK
STRONGEST DIMENSION | SOCIAL RESPONSIBILITY



Set example in the support of charitable and community causes

Demonstrate more than its peers they care about their social impact on communities where it operates



SECTOR | COMMUNICATIONS
STRONGEST DIMENSION | SOCIAL RESPONSIBILITY

8

Set example in the support of charitable and community causes
43%

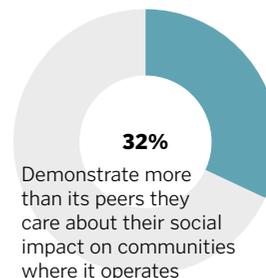
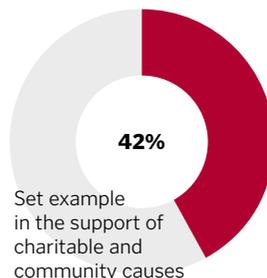
Demonstrate more than its peers they care about their social impact on communities where it operates
36%

Tied with Microsoft as top firm for investing more than its peers in environmental policies

9



SECTOR | BANK
STRONGEST DIMENSION | SOCIAL RESPONSIBILITY



Set example in the support of charitable and community causes

Demonstrate more than its peers they care about their social impact on communities where it operates

Among the top banks for attracting talent and having strong leaders

10

McKinsey & Company

SECTOR | CONSULTING
STRONGEST DIMENSION | TALENT ATTRACTION

Known for attracting top talent 50%

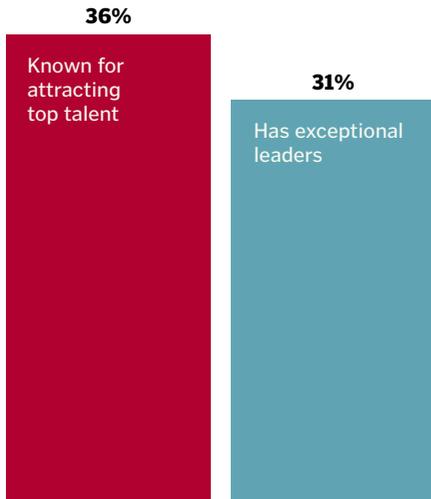
Do a better job than others in attracting successful clients 46%

11

Deloitte Consulting

SECTOR | CONSULTING

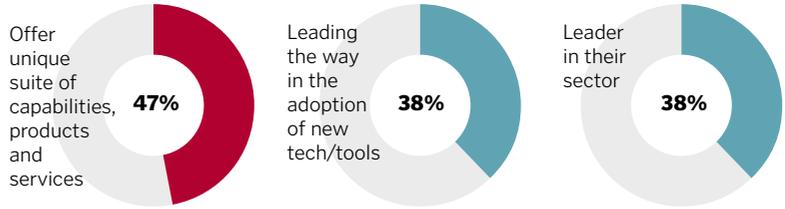
STRONGEST DIMENSION | TALENT ATTRACTION



12 | intuit.

SECTOR | SOFTWARE

STRONGEST DIMENSION | TRAIL BLAZING



CISCO

SECTOR | COMMUNICATIONS

STRONGEST DIMENSION | TRAIL BLAZING

13

Leader in their sector 47%

Leading the way in the adoption of new tech/tools 35%

Seen as one of the leaders among software companies for its strong corporate and ethical reputation

IBM

14

SECTOR | SOFTWARE

STRONGEST DIMENSION | TRAIL BLAZING

Ahead of others leading digital transformation 37%

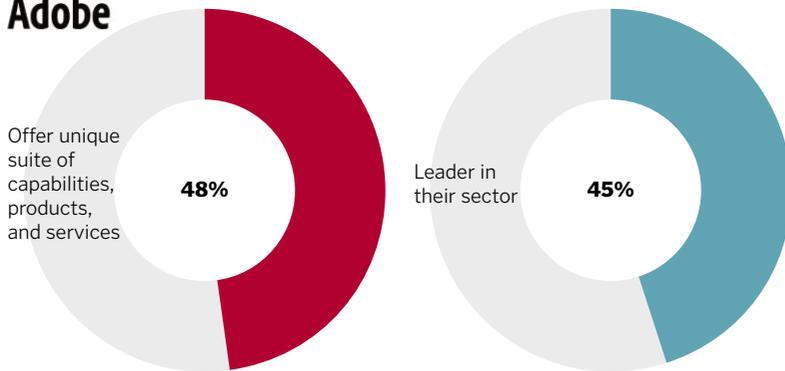
Offer unique suite of capabilities, products and services 33%

Adobe

15

SECTOR | SOFTWARE

STRONGEST DIMENSION | TRAIL BLAZING

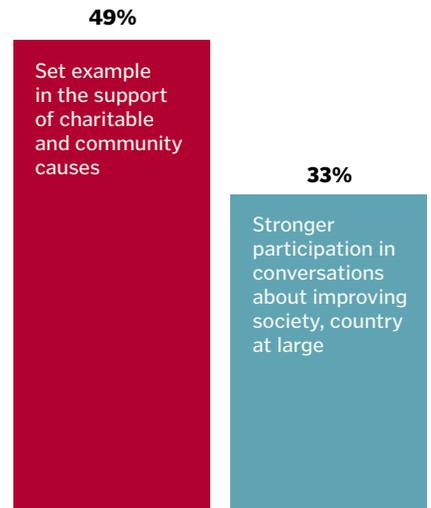


16

Bell

SECTOR | COMMUNICATION

STRONGEST DIMENSION | SOCIAL RESPONSIBILITY



17

Scotiabank

SECTOR | BANK

STRONGEST DIMENSION | SOCIAL RESPONSIBILITY

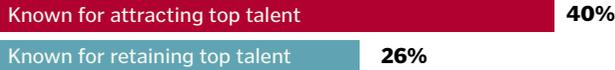
Set example in the support of charitable and community causes 40%

Corporate responsibility is truly in their DNA 25%

18

mccarthy tetrauit

SECTOR | LEGAL | STRONGEST DIMENSION | TALENT ATTRACTION



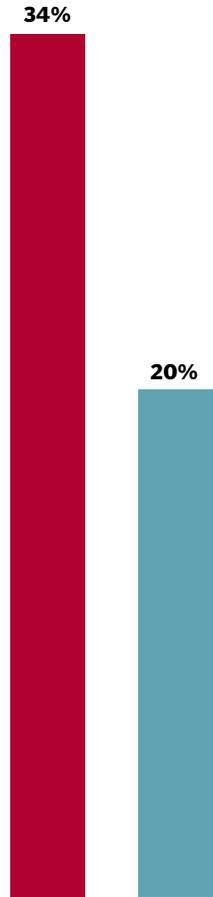
A leader in its sector for having a “solid corporate and ethical reputation”

19

BMO

SECTOR | BANK

STRONGEST DIMENSION | SOCIAL RESPONSIBILITY



Set example in the support of charitable and community causes

Demonstrate more than its peers they care about their social impact on communities where it operates

20 | opentext™

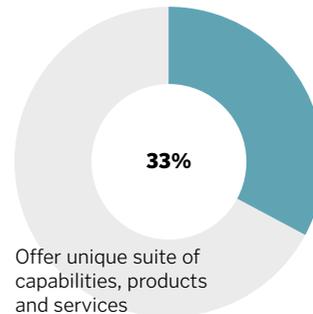
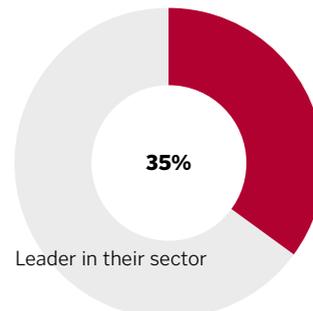
SECTOR | SOFTWARE | STRONGEST DIMENSION | TRAIL BLAZING



21 | SAP

SECTOR | SOFTWARE

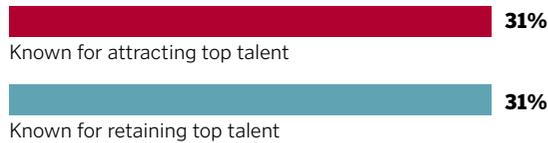
STRONGEST DIMENSION | TRAIL BLAZING



22 | accenture

SECTOR | CONSULTING

STRONGEST DIMENSION | TALENT ATTRACTION

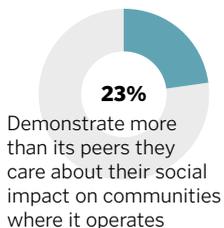
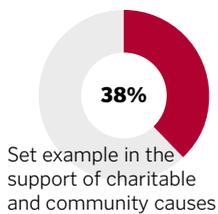


Ranked highest among consulting firms for “being more innovative than peers”

23 | CIBC

SECTOR | BANK

STRONGEST DIMENSION | SOCIAL RESPONSIBILITY



24 | PWC CONSULTING

SECTOR | CONSULTING

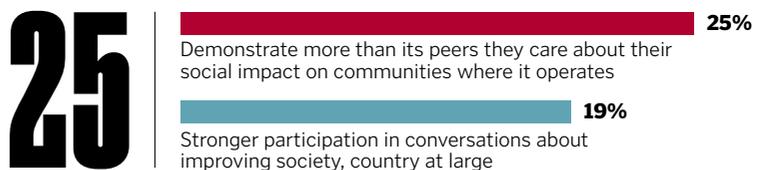
STRONGEST DIMENSION | TALENT ATTRACTION



Viewed as best in its sector for taking time to develop relationships with clients

the co-operators

SECTOR | GROUP BENEFITS | STRONGEST DIMENSION | SOCIAL RESPONSIBILITY



FOR THESE SECTOR LEADERS, WE'RE CELEBRATING WHICH DIMENSION DISTINGUISHED THE FIRMS FROM OTHERS IN THEIR CATEGORY

TOP 3
by SECTOR

STRONGEST DIMENSION

SECTOR	FIRM	DIMENSION	STRONGEST DIMENSION (%)	OTHER DIMENSION (%)	DESCRIPTION
ACCOUNTING	Deloitte.	SOCIAL RESPONSIBILITY	13%	13%	Stronger participation in conversations about improving society, country at large Corporate responsibility is truly in their DNA
	KPMG	TRAIL BLAZING	27%	22%	Leader in their sector Recommended more often than others in its sector
	pwc	TALENT ATTRACTION	30%	23%	Known for retaining top talent Known for attracting top talent/Do a better job than others at attracting top clients
BANK	RBC	TALENT ATTRACTION	36%	32%	Do a better job than others in attracting successful clients Known for retaining top talent
	TD	TALENT ATTRACTION	27%	25%	Known for retaining top talent Has exceptional leaders
	Scotiabank	SOCIAL RESPONSIBILITY	40%	25%	Set example in the support of charitable and community causes/projects in Canada Corporate responsibility is truly in their DNA
COMMUNICATION	zoom	TRAIL BLAZING	72%	58%	Demonstrated considerable growth in recent years Leading the way in the adoption of new tech/tools
	slack	TRAIL BLAZING	67%	55%	Demonstrated considerable growth in recent years Ahead of others leading digital transformation
	TELUS	SOCIAL RESPONSIBILITY	43%	36%	Set example in the support of charitable and community causes/projects in Canada Demonstrate more than its peers they care about their social impact on communities where it operates
CONSULTING	McKinsey & Company	TALENT ATTRACTION	50%	46%	Known for attracting top talent Do a better job than others in attracting successful clients
	Deloitte Consulting	SOCIAL RESPONSIBILITY	20%	18%	Set example in the support of charitable and community causes/projects in Canada Corporate responsibility is truly in their DNA
	accenture	TRAIL BLAZING	37%	27%	Leader in their sector Improved offer/business model over time
GROUP BENEFITS	the co-operators	CLIENT ENGAGEMENT	30%	30%	Strong solid corporate and ethical reputation Would be easy to work with them
	Sun Life	TALENT ATTRACTION	11%	10%	Has exceptional leaders Known for attracting and retaining top talent
	Manulife	SOCIAL RESPONSIBILITY	21%	18%	Corporate responsibility is truly in their DNA Set example in the support of charitable and community causes/projects in Canada
LEGAL	mccarthy tetrauit	TALENT ATTRACTION	40%	26%	Known for attracting top talent Known for retaining top talent
	GOWLING WLG	CULTURE	21%	17%	Known for treating employees well Allows employees to be themselves
	MILLER THOMSON	SOCIAL RESPONSIBILITY	15%	13%	Corporate responsibility is truly in their DNA Set example in the support of charitable and community causes/projects in Canada
SOFTWARE	shopify	CULTURE	49%	43%	Allows employees to be themselves Desirable culture
	Microsoft	SOCIAL RESPONSIBILITY	29%	26%	Stronger participation in conversations about improving society, country at large Demonstrate more than its peers they care about their social impact on communities where it operates
	amazon web services	TRAIL BLAZING	73%	64%	Leading the way in the adoption of new tech/tools Have competitive advantage over others



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SUBSTACK, THE NEWSLETTER PLATFORM CREATED BY CANADIAN CHRIS BEST, IS PROMISING TO UPEND TRADITIONAL MEDIA.



HIS LAST TECH UNICORN DIED. WILL THIS ONE LAST LONG ENOUGH TO COMPLETE HIS MISSION?



by

JOE CASTALDO



photographs by
LUCAS FOGLIA



A R o v e r

seven years as a reporter for the Montreal Gazette, Christopher Curtis was starting to feel stagnant. He was working in a shrinking newsroom, with a dwindling roster of reporters scrambling to cover the news—a problem that only worsened when the pandemic arrived. “We were chasing our tails,” Curtis says. He worried he’d be out of a job one day, competing with his similarly unemployed colleagues for a small number of gigs. Moreover, Curtis felt like he wasn’t doing his best work anymore. He preferred to spend time with a story, but in an understaffed newsroom, that became increasingly difficult.

So last year, Curtis quit his job and launched a paid newsletter called *The Rover*. It was a sizable financial risk, especially considering Curtis and his girlfriend are expecting their first child, but he says it has been worth it. The work is meaningful, and he’s secured around 700 subscribers who pay \$12.50 a month to support his reporting from Montreal and Val-d’Or, along with personal columns. “It could go up in flames,” Curtis acknowledges, “but I’m happy to be part of a failed effort.”

Curtis operates *The Rover* through Substack, which makes software for writers to publish and distribute email newsletters. It’s run by Chris Best, a Canadian now based in San Francisco who oversees about 41 employees. Newsletters are an old concept, and Substack is not the first to offer them, but somehow it’s become an obsession for the media industry and secured millions in funding from Andreesen Horowitz, one of the biggest VC names in Silicon Valley.

More than 500,000 people pay for newsletters on Substack, which typically takes a 10% cut of a writer’s subscription revenue. There are newsletters devoted to politics, original journalism, cryptocurrency, pop culture, distressed investing, reviews of tinned seafood, the New York Knicks, recipes, Canadian public policy, meticulous recaps of *Judge Mathis* episodes, drugs, dogs, the Bible and artificial intelligence,

among others. Writers can offer some or all of their content for free and set their own subscription fees. Five dollars a month is fairly common. Others are pricier: A finance industry newsletter called *Petition* is US\$49 a month. One value-investing blog has hundreds of subscribers at US\$125.

Best has ambitious goals for Substack, which he sees as a balm for a broken media landscape. “Substack is about creating a new model for quality writing in the age of the internet,” he says via Zoom from his basement in San Francisco, where he has lived since 2018. Best, 33, is the kind of person who can’t stop moving, hopping up and down in his chair and running his fingers through his hair. With Substack, he explains, writers get control, independence and a relationship with subscribers. Readers, in turn, choose who to reward directly through subscriptions. “It’s creating a lot of great writing that otherwise wouldn’t have been economically viable,” he says.

For some, it’s a tantalizing pitch. Journalism, you may have heard, is in crisis. Publications are fighting against falling ad revenue, budget cuts, layoffs, buyouts and outright closures. A number of high-profile writers in the U.S. have left their employers to go solo on Substack, sometimes lured by large advances and earning substantial incomes.

These days, everyone in the media seems to have an opinion about the company, and it has been the subject of many piping-hot takes and Twitter threads. Substack has been praised for freeing writers from corporate and editorial control and derided for posing a threat to traditional news media. It’s allowing new and diverse voices to flourish or just amplifying established names. It’s a respite from the toxic social media swamp but also hosts writers who espouse harmful opinions, according to some critics.

The various debaters might be getting ahead of themselves. Before Substack can save journalism or murder journalism or fulfill any other promises and foreboding prophecies, it has to achieve longevity as a business. The company is worth a reported US\$650 million, which seems like a lot for an outfit that has effectively married mass emailing with payment processing. (Substack doesn’t even handle the latter part; it uses Stripe.) It doesn’t disclose revenue, but Best concedes it’s not yet turning a profit. There’s also growing competition in the newsletter space from Twitter and Facebook.

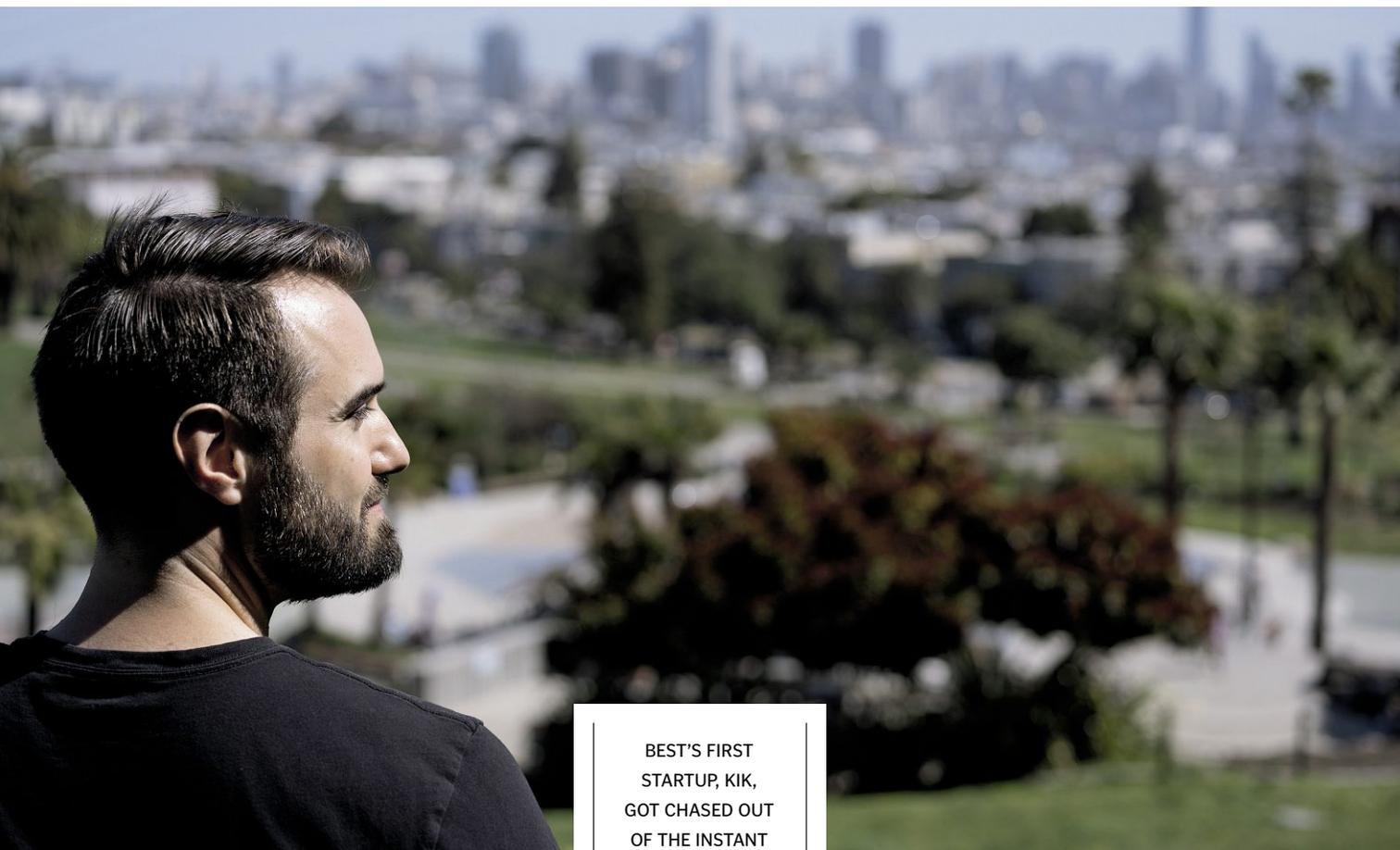
Best expected that. “There’s just no way you’re going to make a wildly successful independent company,” he says, “and not have Twitter and Facebook trying to copy Substack.” Indeed, launching a startup only to have much bigger competitors try to crush you is something Best experienced before. It didn’t end all that well.

If he wants things to be different this time, he’ll have to hustle. Substack hopes to remain independent—it doesn’t want to sell—and grow big enough to change the media landscape. The hitch is that it’s only as valuable as the writers on its platform, and it’s easy for them to leave. Some already have.

he

idea for Substack originated a few years ago, when Best found himself with a lot of time on his hands. He had just capped eight years at Kik Interactive Inc. in Waterloo, Ont., an instant messaging company he co-founded. “It had been this crazy, wild ride,” he says, “and I didn’t want to blindly leap into something.”

Best grew up in Richmond, B.C., the son of two public school teachers. (His sister is a teacher too.) He took a differ-



BEST'S FIRST
STARTUP, KIK,
GOT CHASED OUT
OF THE INSTANT
MESSAGING
MARKET BY
FACEBOOK. NOW
HE'S UP AGAINST
THE SOCIAL MEDIA
GIANT AGAIN

ent route and studied systems design engineering at the University of Waterloo. Through a mutual friend, he met fellow student Ted Livingston. Together, they started developing a music player for BlackBerry devices before pivoting to messaging and co-founding Kik in 2009. With Livingston as CEO and Best as chief technology officer, Kik went on to attract 240 million registered users and raise US\$120.5 million in funding over the next few years.

Others took an interest in messaging too—namely Facebook. The social media giant launched its standalone Messenger app in 2011 and later acquired rival WhatsApp. There was no shortage of ways to contact people; every social media app incorporated messaging, and there was always plain old texting. Kik found itself fighting to keep pace. “It was very challenging because we were competing in this big category against competitors who didn’t need to make money,” Livingston says. “We didn’t have that luxury.”

Livingston looked at Kik’s leadership and decided to put someone who reported to Best in the CTO role. Best offered to resign instead, reasoning that was the only way someone new could succeed. He left in 2017. For Livingston, who says he didn’t expect his co-founder to quit, the episode represents a certain selflessness on Best’s part. “He was sort of making a sacrifice for what he felt was the benefit of the people,” he says. Livingston deeply regrets parting ways. “That was one of the biggest mistakes I’ve made in my career.” They’re still friends, and Livingston was an early investor in Substack.

Kik, meanwhile, continued to struggle. In 2017, it launched its own virtual currency as a way to make money and raised US\$100 million through the sale of a digital token called Kin. Some of the money was raised from American investors, prompting the U.S. Securities and Exchange Commission to

sue Kik for conducting an illegal offering. A U.S. court found the digital tokens amounted to a security, meaning Kik violated federal law when it conducted an unregistered offering. These days, Livingston is working on Kin with a small team. The chat app was sold in 2019.

As for Best, he didn’t want to think about what to do next for at least a year after leaving Kik. He’d always wanted to try writing, so he started drafting an essay railing against the detrimental effects

of social media. The ad-driven business model that prioritized likes and clicks was polarizing society, degrading journalism and contributing to a mental health crisis, he argued. Best showed his writing to Hamish McKenzie, a former journalist from New Zealand who attended the University of Western Ontario and later worked at Kik as an editorial adviser. McKenzie suggested it would be more worthwhile to explore solutions, and they started discussing new media business models.

Subscriptions, the pair realized, were a more sustainable model than advertising, and newsletters created a direct relationship between writers and readers. (They drew some inspiration from Ben Thompson, of the tech newsletter *Stratechery*.) From those conversations emerged Substack. Best bashed out the first version of the code but convinced Jairaj Sethi, another Kik alum, to join as co-founder and CTO.

Substack launched in 2017, and Best and McKenzie published a manifesto of sorts promising “a new day” for writers. You might assume that three tech bros, only one of whom had worked as a journalist, making bold promises about the future of news and touting subscriptions as something novel would engender deep skepticism among professional writers. And they did.

Substack spoke to writers and journalists about what they’d



Glenn Greenwald
Journalist who broke the Edward Snowden documents



Bari Weiss
Controversial former New York Times columnist



Roxanne Gay
Writer, professor and author of *Bad Feminist*



Seth Abramson
Columnist and political analyst



Dan Rather
Journalist and former CBS Evening News anchor



Garrison Keillor
Storyteller, author and creator of *A Prairie Home Companion*



Cheryl Strayed
Author of the bestselling memoir *Wild*



Charlie Warzel
Former New York Times writer

▲
▲
A list of some of the people who've joined Substack
■

want in a newsletter platform. Best reached out to Jen Gerson, a journalist in Calgary. He struck her as a passionate guy, but as soon as Gerson hung up the phone, she said to herself, *Well, that's going nowhere*. The idea that professional journalists would take a flyer on newsletters in hopes of cobbling together enough subscribers to make a living struck her as “bonkers,” she recalls.

But Substack managed to find takers, in part by making it dead simple to start publishing instantly, zero technical skills required. McKenzie pitched hundreds of established journalists, columnists and essayists to join, and some made a big deal of doing so. Glenn Greenwald and Bari Weiss torched their former employers, *The Intercept* and *The New York Times*, respectively, upon leaving, which brought more attention to Substack.

For a spell last year, there was a rash of high-profile writers climbing aboard. That caused Gerson to reconsider joining Substack. “I saw a wave there that merited riding,” she says. Along with two others, Gerson now runs *The Line*, featuring opinion and commentary from a range of writers. So far, it's attracted close to 5,600 subscribers, 1,300 of them paid. (It's a part-time gig for Gerson; she still writes for other outlets.)

Millions in venture capital funding also raised Substack's profile. McKenzie had approached an entrepreneur and writer named Andrew Chen about moving his newsletter to Substack. Chen wasn't interested (he preferred to run everything himself, McKenzie recalls), but when he joined Andreesen Horowitz, he led a US\$15.3-million round in Substack in 2019, followed by US\$65 million this past March.

Part of the funding will be used to attract more writers through a program called Substack Pro. The company will fund a select few for their first year on the platform and collect 85% of the subscription revenue. Afterward, Substack's cut falls to 10%. More than 30 writers have signed on so far, and although the company doesn't divulge names, some have aired their details. Matthew Yglesias, formerly of digital publication *Vox*, took a US\$250,000 advance. (He later calculated he would have been better off had he just kept a larger portion of his subscription revenue.)

Substack's growth has not been without controversy, and there has been a certain ideological bent to some of the platform's popular early adopters. Some, like Weiss, are writers who expound on the perceived threat of “cancel culture” and the supposed excesses of progressive politics, all while complaining about the constraints they felt were imposed on them by previous employers. Greenwald has tweeted that

Substack empowers journalists to report “without the shackles of corporate editorial control or liberal pieties.”

As a result, Substack earned a reputation as a home for aggrieved writers to spout unpopular opinions. It's worked to dispel that image and often points to Heather Cox Richardson, a little-known Boston College professor who has amassed tens of thousands of subscribers as she analyzes current events through a historical—not ideological—lens.

Jude Doyle, a writer in New York, was approached to join Substack in 2018. But Doyle, who is trans, soon became uncomfortable sharing a platform with writers they viewed as anti-trans. That includes Graham Linehan, an Irish television writer who was permanently suspended from Twitter last year for “hateful conduct” and maintains a Substack where he regularly writes noxious missives about trans people.

Doyle wrote about their misgivings about Substack (on Substack) and emailed the post to the company. Doyle found its response defensive and says it also raised the prospect of Substack Pro. “It just did not feel right,” Doyle says, “and that's when I was out the door.” Doyle moved to *Ghost*, a non-profit platform. A number of other trans writers have since switched to rivals, as well. (A spokesperson for Substack says it did not attempt to influence Doyle. “The idea of offering contracts to change how people feel and what they think runs absolutely counter to the founding principles of Substack,” according to the spokesperson.)

“We're sad about that,” Best says of the writers who have left, while adding “we're delighted to have great trans writers on the platform.” Substack takes a light approach to moderation, and Best has argued it's not as difficult a challenge for the company compared to YouTube or Facebook, which use algorithms to surface content. “Our goal is really putting readers and writers in charge of this,” he says.

That message has resonated with some. Gerson says the company's guidelines make it clear what's acceptable and what isn't. “I don't get the sense the goalposts are going to shift,” she says. For that, she's willing to pay a premium to run her publication with Substack versus a cheaper competitor.

For Doyle, Substack's position is a dodge and notes the company is a mess of contradictions. Best has said Substack is a platform, not a media company. Yet it launched promising “a better future for news.” Substack has also said it doesn't make editorial decisions, but selecting writers and offering them money is effectively just that. It's a bit of sleight of hand

CELEBRATING CANADA'S 2020 YOUNG LIONS

Each year, the Canadian Young Lions Competitions bring out the best young talent in the advertising and marketing industry. This year, 375 teams across five competition categories tackled a challenging brief under extreme time pressure for their chance to qualify and compete in the global Young Lions Competitions. Competition is fierce. Congratulations to our winning teams!

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OMD Canada

Naveed Ahmed
Senior Account Strategist,
Shoelace Inc.

DIGITAL

Leo Janusauskas
Art Director, Studio Sophomore

Ellen Porteous
Copywriter, Abacus Agency

PRINT

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Senior Art Director, john st.

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that social media companies have performed in recent years. Facebook has tried to insist it's a platform, not a publisher, in hopes of absolving itself of responsibility for the content its users post.

Substack, in turn, wants to be seen as charting a bold new media future, while trying to remove itself from the content and the writers it hosts. "You still have to take responsibility for what you're putting out into the world," Doyle says.

T

January, Twitter purchased a small newsletter company from the Netherlands called Revue. Much like Substack, it's promising to help writers monetize their audiences. "Twitter is uniquely positioned to help organizations and writers grow their readership faster and at a much larger scale than anywhere else," the company wrote in a blog post. (Twitter declined an interview.) Facebook is reportedly looking to get into newsletters and has plans to court writers, while there are plenty of smaller newsletter players too, such as Ghost, Pico and Letterdrop.

None have nearly the profile Substack does, though Ghost is seen as a cheaper alternative for large newsletters. Rather than taking a portion of subscriber revenue, Ghost charges a flat fee. The cost savings were part of the reason Uri Bram, who runs a newsletter with 11,000 paid subscribers called The Browser, switched from Substack to Ghost last year. "We're paying 90% less than we were on Substack," he says. "What's not to like?"

Best admits there's a part of him that's apprehensive about the arrival of Twitter and Facebook, but no more than that. "The thing I tell the team here is we should let our competitors influence our speed but not our direction," he says.

The crowded field does raise the question of what makes Substack unique. Best and McKenzie often point to more ephemeral qualities, arguing everything the company does is geared toward writers, unlike Twitter and Facebook. Earlier this year, McKenzie wrote it's the "calmness of the model that's the real killer feature" of Substack. Best emphasizes it's only successful if writers are, a principle that will always remain. "Part of my theory on how companies go wrong is if you have a bunch of principles and you have a business model that pulls you in some conflicting direction," he says. "At some point, you run up against this hard choice of either giving up your principles or don't have a successful business."

Still, will that be enough? "Your commitment to writers and your desire to help them publish good newsletters is not a proprietary thing," says Mathew Ingram, chief digital writer for the Columbia Review of Journalism. Substack, by design, makes it easy for writers to leave (they own their content and email list) and take their subscribers to a different platform. That fits with Substack's ethos of doing well by writers, but creates an obvious problem.

Twitter may also have a built-in advantage. It's the place many Substack writers have built their audiences and promote their newsletters. Newsletters seem to be a natural extension for Twitter, whereas Substack lacks an easy way for readers to discover new writers, beyond featuring a handful each day on its website and maintaining a leaderboard for the

most popular in various categories. Revue also takes 5% of subscription revenue—half of Substack's cut. (It's worth noting Twitter has bungled acquisitions before, buying beloved video app Vine only to shut it down a few years later.)

"We definitely can't rest on our laurels," McKenzie says, "and it's a good incentive for us to make a better product and build it fast." Substack is taking more steps to support independent writers in the meantime, such as a legal program to deal with defamation threats and putting up US\$1 million to help local news writers and providing them with mentoring. "We're going to put a much greater effort and much larger investment into these areas now," he says.

But for Twitter and Facebook, newsletters are likely going to be a tiny part of their overall businesses. Each company can afford to lose money in an attempt to capture the space, much like how Facebook used its dominance and financial resources against Kik. Best is not one to dwell on parallels, though. When asked if there are any lessons he's applying to Substack, he seems a little stumped. "Kik gave me a sense of what's possible," he says after thinking about it. "And the importance of running your own race."

For Substack, it's been a fast one. In March 2020, the company had 100,000 paying subscribers; it has 500,000 today. Some question whether it can keep up the pace. Om Malik, a former journalist and venture capitalist, is a supporter of Substack but says the company faces challenges with both readers and writers. The willingness of the public to pay for multiple subscriptions is limited, he reasons, and the number of writers worth paying for could hit a wall. "They will have to find thousands of creators who can build sustainable audiences that will pay for their content over a long period of time," Malik says. "Scaling won't be that easy."

Best, in turn, says the company will nurture its own stars. "The vast bulk of the opportunity for Substack over time is having people start from relative obscurity and grow," he says. "Those people who are going to be massive tomorrow might come because they see the people who are successful today."

That's a rare thing, though. Christopher Curtis, the former Montreal Gazette reporter, says the platform "disproportionately favours people who are established." He spent years cultivating an audience and has some advantages other Substack writers might not. He's partnered with another media organization, Ricochet, to run some of his stories and provide him with editing. It's also gruelling work to maintain a publication largely on your own. Curtis is making less than he was at the Gazette (he supplements with occasional freelance work) and putting in more hours, not only for writing and reporting but also for branding, marketing and dealing with subscribers. "You're kind of doing everything," he says.

It's little wonder the most popular Substack newsletters skew heavily toward opinion, commentary and analysis, not labour-intensive reporting. Still, the success of Substack will partly depend on the grit of people like Curtis and on Best's ability to support them. "We'll see the next generation of institutions being created on Substack," Best says. It's a typically bold claim, and one that won't be realized for some time, if at all. For now, Substack has shown that writing—and some writers—still have value. And in an industry facing an existential crisis and conditioned to expect terminal decline, that's a success in its own right.



Substack earned a reputation as a home for aggrieved writers to spout unpopular opinions

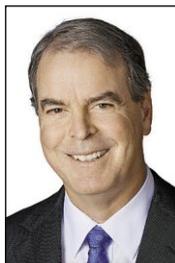


Congratulations to these recent appointees

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



Stephen Dent
to Board of Directors
Bank of Montreal



Madhu Ranganathan
to Board of Directors
Bank of Montreal



Cyrus Reporter
to VP, Government
and Regulatory
Affairs
Canadian National
Railway Company



Cliff Stevenson
to Chair for 2021
The Canadian Real
Estate Association



Stephanie Bowman
to Board of Directors
Empire Life
Insurance Company



Melissa Harper
to Senior VP &
Chief Human
Resources Officer
Enbridge Inc.



Tashia Batstone,
MBA, FCPA, FCA,
ICD.D
to President & CEO
FP Canada



Janie C. Bélique
to President and
CEO
Fonds de solidarité
FTQ



Neil Parkinson
to Chair of the
Board of Directors
Gore Mutual
Insurance
Company



Sara Alvarado
to Executive
Director
Institute For
Sustainable Finance



Andrew Duncan
to CIO
RioCan Real Estate
Investment Trust



Jonathan Gitlin
to President and
CEO of the Trust
RioCan Real Estate
Investment Trust



Edward Sonshine
to Non-executive
Chairman of RioCan's
Board of Trustees
RioCan Real Estate
Investment Trust



Hazel Claxton
to the Board of
Directors
TELUS Corporation



Sean Willy
to the Board of
Directors
TELUS Corporation

AS A SUCCESSFUL BOND TRADER, PAUL MARCOGLIESE PROVIDES STABILITY AMID CHAOS. HE AND HIS WIFE, CHERYL, HOPE THAT CAN HELP OVERCOME THE DIRE DIAGNOSIS FACED BY THEIR TWO YOUNG SONS

AGAINST

In the basement of their Pickering, Ont., home, five-year-old James Marcogliese and his six-year-old brother, Daniel, practically bounce off the walls of their den-turned-classroom. The two boys proudly show off their twin fishbowls (one conspicuously fish-free), their rack of Avengers costumes and the anatomical diagram pasted to the wall.

“That’s the liver,” says James, who knows more about his own internal organs than any kid should. When James was born, an enlarged liver was the first sign something might be wrong. He was kept in intensive care for 10 days at Mount Sinai Hospital in Toronto while doctors investigated. The boys’ father, Paul, wasn’t yet overly concerned—Daniel also had a big belly as a baby.

The family soon learned why.

Both boys were diagnosed with an ultra-rare genetic illness neither parent had ever heard of. Doctors told Paul and his wife, Cheryl, to make the most of the remaining time with their children. There was some sense to this advice. There are almost no approved drugs available for treating Niemann-Pick disease type C (NPC) anywhere in the world. It’s always fatal and many of its victims don’t live to see their 10th birthdays. Niemann-Pick is also known as Childhood Alzheimer’s, a kind of juvenile dementia that results from a gradual loss of basic function, speech and mobility.

BY TIM SHUFELT

As a bond fund manager, Paul’s job is to provide stability amid chaos and impose order on the complex and random. Now he was being told to resign himself to a fate that was simply too terrible to accept. So he and Cheryl committed themselves to the world of rare-disease research.

Combining his financial acumen with the health-care sensibility she honed as an occupational therapist, the couple started to craft a plan: They would immerse themselves in a non-profit organization dedicated to fighting NPC, connect with the world’s foremost experts in the disease, access the best therapeutic drugs to manage symptoms, mine their connections for charitable donations, find and fund the most promising lines of medical research, cure the disease and save their children’s lives.

THE DADDYS



PHOTOGRAPHS BY AARON VINCENT ELKAIM

“We’re not in denial,” Paul says. “I know the odds are very much against us. As a mathematician, I very much understand that. But we’re going to do everything we can for those odds to change—and change dramatically.”

+ Niemann-Pick disease type C undermines the body’s ability to move and process cholesterol, which accumulates in the cells of various organs, including the liver and brain. This buildup eventually impedes brain function, slowly robbing otherwise healthy children of the ability to walk and talk, and ultimately to swallow and even breathe.

For the disease to occur, both parents need to be carriers, meaning they each have the same genetic mutation but exhibit none of the symptoms. Even then, there is only a 25% chance that two carriers will have a child with NPC. There are about 500 known cases worldwide, and its incidence is thought to be roughly one in 100,000 live births—comparable to the lifetime odds of being killed by a lightning strike.

For the Marcoglieses, the grief and despair of the diagnoses was compounded by the realization that mainstream medicine only has so much to offer for a disease this rare. Pharmaceutical companies generally require a certain volume of patients to justify the time and expense of developing a drug and then testing it, steering its approval for commercial use and bringing it to market. For the most part, the focus is on disorders with at least 10,000 cases. With only 150 to 180 NPC patients currently living in the United States, just finding enough cases to run clinical trials is difficult, says Sean Kasen, director of the Ara Parseghian Medical Research Fund at the University of Notre Dame in Indiana. (The organization is named after the legendary Notre Dame football coach who lost three grandchildren to NPC.)

“That makes it very hard to get a drug approved for a rare disease, so pharmaceutical companies tend to avoid them,” he says.

As the Marcoglieses started researching treatment options, they learned of an experimental drug called VTS-270 under development by Mallinckrodt Pharmaceuticals, a small U.S. drug company. Studies showed promise in the drug’s ability to stabilize NPC symptoms, essentially by cleaning up excess cholesterol in brain cells when administered by spinal injection. While the drug had not yet been approved by the U.S. Food and Drug Administration, it was accessible in the States through a compassionate-use program if the family crossed the border for treatment.

For two and a half years, the Marcoglieses flew to Chicago every two weeks for spinal infusions under anesthetic—87 and counting for Daniel, 44 for James. By age four, Daniel had been on so many flights, he earned Air Canada’s 35,000-mile status. “They almost never complain,” Paul says. “They complain more about getting their tablets taken away than any of the medical stuff.”

But losing access to the drug has been a constant threat. When the pandemic hit last year and cross-border flights virtually ground to a halt, Paul and the boys’ doctors urged the drug company to allow the treatment to be administered in Canada. They got the okay; the boys have been receiving their injections at the Hospital for Sick Children in Toronto ever since. Then in January, Mallinckrodt announced it was dropping the drug entirely. “We share in the disappointment of the entire NPC community,” the company wrote in letters to families. “[But] the risks associated with the treatment outweigh the potential benefit.” The drug can impair hearing



The Marcogliese family in March 2020

in children like Daniel, who now needs hearing aids.

Families dealing with NPC say their children are living proof the drug works. While the disease can’t be neutralized, the treatment does delay the tightening of its grip, Paul says.

“WE’RE MOVING THE NEEDLE

Daniel’s speech is a little behind, and his balance isn’t perfect. He’s also become aware of his own limitations. “He’ll say, ‘Daddy, I don’t think I can do that,’” Paul says. He recently learned to ride a bike and is happy to slowly pedal around. His little brother is more likely to take a corner too fast and wipe out. “Everything James does is at full speed,” Paul says. “Unfortunately, we’re starting to see very small disease progression in him, but he doesn’t let it slow him down.”

There is enough supply of the drug to keep injections going until October. “It won’t take too long for the disease to take hold after treatment stops,” Paul says. The race is on to find a replacement. There is another development-stage drug, called arimoclomol, currently working its way through the approval process in the U.S. It has been effective in preventing the buildup of cholesterol at the cellular level.

When and if the drug will come to the Canadian market is unclear. Unlike the U.S. and European Union, Canada does not have a regulatory framework for the authorization of rare-disease pharmaceuticals, also known as orphan drugs. Patient advocates have long complained that regulatory and pricing barriers deter drug companies from introducing life-changing medicines to the Canadian market. Most orphan drugs are launched in Canada many months after they’re available in Europe and the U.S., while some never make it here at all. Since treatments for rare disorders tend to be exorbitantly priced—typically costing six figures per year, per patient—paying for these drugs out of pocket is not an option for most Canadians.

One way or another, the Marcoglieses are determined to



access arimoclomol. Enabling their sons' development to progress as much as possible will provide more runway when symptoms start to worsen. Aside from drugs, challenging them physically and cognitively is another way of holding back the disease. To that end, Daniel and James have also started treatment at Holland Bloorview Kids Rehabilitation Hospital. But access to NPC drugs is crucial in order to buy time while the science progresses. "If we could just know that the drug is going to be available to us for an extended period of time, we can put all of our energy into finding a cure," Paul says.

Soon after James and Daniel tested positive for NPC, their parents paid a visit to the chair of the Canadian chapter of the National Niemann-Pick Disease Foundation, handing her a stack of cheques collected from family and friends. But the organization was pretty much dormant by that point. It's a common story in the rare-disease space. Families directly affected by an illness become the fiercest advocates. When their loved ones succumb, some

lose the will to continue the fight.

The Marcoglieses took over the foundation, cleaned up its structure, rebranded, incorporated and started raising money. Figuring out how to spend it was another matter. They joined the ranks of citizen-scientists—family members of people with rare disorders who help drive the research. "There's a network of parents who have really begun to understand the

disease at such a level that we're intertwined with the scientists and we're all talking together," says Cheryl.

For researchers to qualify for major grants, the science typically already needs to be fairly advanced. That's generally not a problem for the most common afflictions, like cancer or heart disease. Even better-known rare diseases, like muscular dystrophy or ALS, have lots of support from big donors, celebrities and the corporate sector. In the ultra-rare space, families like the Marcoglieses have had to fill the void.

"Family foundations, and parent-advocacy groups raising funds for supporting research, in my mind, have become an anchor of the rare-disease field globally," says Ronald Cohn, president of SickKids Hospital. The lab bearing Cohn's name at SickKids investigates treatments for rare genetic diseases, including NPC, using cutting-edge gene-editing and gene-therapy technologies. "Family foundations allow us to take a creative idea that maybe only has a small amount of preliminary data to check whether our ideas work," Cohn says. If a thesis is proven right, that often paves the way for additional support through more common medical research funding avenues, like federal grants.

The Marcoglieses started their crash course in genetic disease by attending medical conferences and meeting with scientists. Pretty quickly, they started to identify where there

were gaps in the research. "Family foundations have a sense of urgency," Cheryl says. "So we're willing to try anything, as long as there's a scientific idea that makes sense."

Last year, a University of Michigan scientist who was working with the Marcoglieses approached them with a novel idea. He suspected the NPC gene affected liver cells in a different way than brain cells. If he was correct, it could change the way the disease is treated with targeted therapies. All he needed to test his theory was four stem cells, each costing US\$15,000. To Paul, who runs a fixed-income portfolio at CI Global Asset Management, the numbers made sense. Relative to the price tag, the potential scientific upside was substantial. "One of my most useful skills in all of this is understanding the risk-reward paradigm," Paul says. The experiment was a success and led to a grant with the National Institutes of Health—the U.S. government arm responsible for biomedical research.

Niemann-Pick Canada has now been running for about four years and has raised \$2.7 million, much of it coming from Bay Street—banks, brokerages and asset managers Paul has marshalled to the cause. The foundation is currently funding three major lines of research. "How fast they've been able to do all this has been amazing," Notre Dame's Kassen says. "They've been a blessing to the NPC community."

At SickKids, Niemann-Pick Canada is supporting Cohn's lab in using the gene-editing technique called CRISPR, which enables unwanted genetic material to be removed. The "moon shot"—a cure for NPC—is the ultimate goal, Cohn says. But it's not the only measure of success. "If we could find a therapy that could help us even halt the disease and prevent it from getting worse, that would be a game-changer," Cohn says. "I'm hopeful."

For NPC, there are at least 300 different mutations associated with each gene inherited from two parents. In a child, those mutations can combine in countless ways, only some of which are harmful. The SickKids team's first goal is to figure out which combinations of mutations are disease-causing. They're even working with Daniel and James's specific mutations, which were determined through genetic testing. While it's still relatively early days for the science, many researchers believe the technique could eventually eliminate a variety of inherited disorders, from cystic fibrosis to hemophilia. "We're moving the needle," Paul says. "At some point, there's going to be a breakthrough."

For someone who sees things through a math and finance lens, the numbers alone are haunting. The risk of NPC is so low as to be non-existent. But not only has lightning struck the Marcogliese household; it has struck twice.

There's not a lot of time to wallow. The boys need their injections twice a month. There's a foundation to run. Other families across Canada—newly devastated by an NPC diagnosis—need someone to talk to and walk them through their options. There are donations to drum up, finances to track, scientists to keep up with. There are politicians to lobby, drug companies to solicit, research papers to read. Paul and Cheryl both have full-time careers, in addition to all the effort involved in raising two young children. Still, Paul aims to finish work by 4 p.m. so he can go downstairs and play video games with Daniel and James before dinner.

AT SOME POINT THERE'S GOING TO BE A BREAKTHROUGH

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MATTHEW STRAUSS

VICE-PRESIDENT AND PORTFOLIO MANAGER,
CI INVESTMENTS INC., TORONTO

Matthew Strauss concedes that the road to investing in emerging markets is littered with potholes—government intervention, poor corporate governance, lax reporting standards and more. But he and his team, including analysts in Hong Kong, are always primed to do a deep dive into a potential investment, and that has paid off. Over the past decade, his \$817.4-million Signature Emerging Markets Fund has outpaced the MSCI Emerging Markets Total Return Index. We asked the 50-year-old portfolio manager how he's playing a global semiconductor chip shortage and why he likes Chinese e-commerce giant Alibaba Group Holding.

How do you pick stocks, given the volatility in emerging markets?

Volatility is not as big a problem as it was 20 years ago, but tackling it takes more effort than reading a financial report. Networking and building trust with management is key, as well as meeting with suppliers, competitors, sell-side analysts and regulators. Our portfolio owns best-in-class companies, such as South Korea's Samsung Electronics; secular growth stocks, such as Chinese data-centre provider GDS Holdings; cyclical growers, such as Brazilian oil giant Petrobras; and defensive names, such as Wal-Mart de Mexico. We invest in initial public offerings too.

What is your outlook given the sell-off in February?

We started this year with continued strong momentum from 2020, but the market became concerned with rising U.S. real interest rates and China's central bank withdrawing stimulus. There is also the risk that some emerging markets, such as Brazil and India, don't have the fiscal resources to deal with COVID-19. Still, we're positive on emerging markets in the medium and longer term because of the strong growth potential. The International Monetary Fund is forecasting annual average growth of 4.6% for developing countries from 2022 to 2026, versus 2% for developed markets.

Where are you finding the opportunities?

If you look at the pipeline of IPOs and other share issues in recent years, most have come from Asia. That's reflective of dynamic economies. China's ByteDance [owner of video apps TikTok and Douyin] is a highly anticipated IPO. China is still our biggest country weighting, but we reduced it from last year because of talk of monetary tightening. For us, India has a lot of potential if it can handle the COVID-19 pandemic well, as does Indonesia, with its fast-growing domestic market. South Korea and Taiwan both offer opportunities in the technology space.

Given that Taiwan Semiconductor Manufacturing and Samsung Electronics are top holdings, are you playing the chip shortage that has hampered production of everything from cars to consumer electronics?

We have high-conviction bets on these companies because of their cutting-edge technologies, but the shortage is an added reason to hold them. We see the shortage as temporary, but it could spill over into 2022. We also own MediaTek, a Taiwanese semiconductor company, and South Korea's SK Hynix. We think the thematic

play on semiconductors and memory chips, which stems from the cloud-sector explosion, is a multiyear trade.

What other themes are you betting on?

We like e-commerce, which we play through companies such as Alibaba, MercadoLibre (which focuses on Latin America) and Sea, in Southeast Asia. Another growth theme is electric vehicles (EV) and batteries. We own Chinese EV makers, such as BYD and Xpeng, whose cars are competing against Tesla's Model 3 in China. We also own South Korean chemical company LG Chem mostly for its EV-car battery business.

A Chinese regulator slapped Alibaba with a US\$2.8-billion antitrust fine in April for treating merchants unfairly, including restricting them from selling on other platforms. Are its woes over?

The market became concerned when tensions between Alibaba and the Chinese regulators flared up last year. The government also blocked Alibaba's US\$37-billion IPO of its fintech arm, Ant Group. With the fine and Alibaba agreeing to restructure Ant into a financial holding company, the uncertainty is over. There will be fiercer competition for Alibaba, but other players will also have to follow regulations. However, Alibaba has a very dominant market position, and we don't see that suddenly being under threat. /Shirley Won

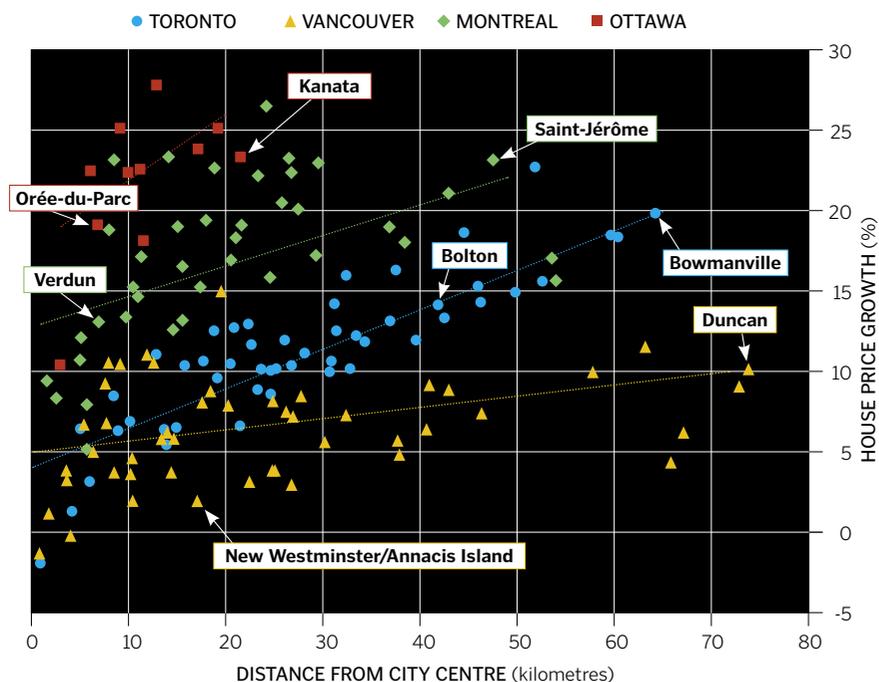
CI SIGNATURE EMERGING MARKETS FUND (CLASS F) ANNUALIZED % TOTAL RETURN



MSCI EMERGING MARKETS TOTAL RETURN INDEX (\$CDN.)



YEAR-OVER-YEAR HOME PRICE INDEX CHANGE, FOURTH QUARTER OF 2020



DECODER

THE LURE OF THE SUBURBS

There's an adage that the three things that matter in real estate are location, location and location. But the pandemic has taught us that there's some fluidity in what counts as a desirable location. After years of big cities like Toronto and Vancouver driving Canada's real estate boom, people are now paying a premium for country—or at least suburban—living. Statistics Canada's most recent population count, as of July 2020, revealed 50,400 more people left Toronto for other parts of Ontario than moved to the city compared to a year earlier, while Vancouver's meagre population growth was outmatched by places in B.C. such as Chilliwack and Kelowna.

While the so-called

urban exodus was already underway before the pandemic hit, as young homebuyers sought more affordable digs, the crisis kicked things into high gear. In its most recent analysis of housing market imbalances and household debt, the Bank of Canada looked at markets in scores of postal codes in and around Toronto, Vancouver, Montreal and Ottawa. It found that the farther you go from those city centres, the hotter the market.

The obvious question for both the real estate and the job markets is whether this trend will hold after the pandemic ends. A lot may depend on how accommodating employers decide to be when it comes to continuing remote-

work arrangements. A recent analysis by CIBC economists found many employers expect their workers to return to the office full time when this is over.

There's also the inescapable fact that the boom in rural and small-city real estate markets has been so dramatic, it has narrowed the premium traditionally paid to live in big cities. It's to the point where homebuyers may have second thoughts about moving. "The pendulum might have now swung too far," wrote CIBC economists Benjamin Tal and Royce Mendes. "Should COVID fade into the background, as is expected, the vibrancy of cities will return, and so will the demand for housing within them." **/Jason Kirby**

FOR YOUR CONSIDERATION

GUARDIAN CAPITAL GROUP LTD. TORONTO

REVENUE (2020)
\$215.8 MILLION

THREE-YEAR SHARE PRICE GAIN
32%

P/E RATIO (TRAILING)
20.4

Guardian certainly isn't the glitziest or most cutting-edge stock on the TSX, but it's hard to find one with a more stellar long-term track record for value or growth investors.

The 59-year-old money management firm's 154% share price increase over the past decade was almost double (or better) than the gains made by any of the Big Five Canadian banks. It has clobbered the S&P/TSX Composite Index by an even wider margin. By any key financial metric—assets under management (about \$46 billion at the end of 2020), revenue or profit—the firm has basically tripled in size.

Yet even CEO George Mavroudis, an FCPA and certified financial planner, understands why Guardian hasn't generated much excitement. Over the past few years, "people are always looking for the fast dollar to be made, the big themes," he says.

In financial services alone, those themes include the rise of low-cost passive index investing, robo-advisers and do-it-yourself electronic trading platforms. There are also always tsunamis of coverage for the latest bubble, be it cryptocurrency, FAANG stocks or overheated real estate.

By comparison, Guardian can look like a decades-old classic rock act. "Unfortunately, we have some people who, when they hear the name Guardian, still think of us as circa 1990s," says Mavroudis. And in the 1990s, the firm was a respected active manager of pensions and other institutional money, as well as traditional mutual funds, working almost entirely for Canadian clients.

He and the firm believe in the benefits of active management—with the right strategies and teams, it produces value-added long term

returns. But Guardian has renewed itself in other ways. Mavroudis arrived in 2005 and became CEO in 2011. Before Guardian, he'd worked for the British bank Flemings in Moscow and then for J.P. Morgan Asset Management in London as well as Toronto.

Two of Mavroudis's priorities have been international expansion—of Guardian's clients and its investments—and a push into personalized wealth management for well-heeled clients. In 2017, about 95% of the firm's asset management revenue came from Canadians. That's now down to 40%. In terms of the market segments, institutions account for about 55% of its business, while managing money for intermediaries adds up to roughly a third and private clients make up 10%.

Patience, diversification and complexity still aren't hot themes for investors, though. "That's why



we don't have the broad shareholder base we should have," Mavroudis says. Guardian's shareholders are a mix of institutions and individuals.

But attracting more investor interest is difficult. Many of the largest institutions in Canada and abroad now have so many billions to deploy that Guardian, with a market

cap of about \$850 million, is too small for them to research in depth.

Small has its advantages, however. "We can still be nimble and agile, and serve our clients very well without capacity constraints," says Mavroudis. And if a financial giant or two stumbles, that story might look very alluring again. */John Daly*

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Homecoming

Vito Paladino, the first head of Audi Canada from this country, on driving toward electrification

Canada is home. I love it here. So when I was promoted to president last September, I didn't need the ceremonial tour. I have a lot of operational experience, and I knew the team before I became the leader of it, so we hit the ground running fast. Priority one was ensuring workers' safety, stabilizing the business and making sure the current operation was healthy. But we've also been keeping our eye on the future, because we're here to make an impact. It's so easy to think, *Okay, we're going to pull back on this*. But on some of our strategic projects, maybe our greatest progress has happened in this pandemic period.

We're in such a pivot period in automotive. It's becoming a different type of mobility industry, and it's becoming digitalized. A lot of the conversation

10-12%
Premium vehicle sales as a portion of total Canadian vehicle sales

26,000
Number of Audis sold in Canada in 2020—about 1.7% of total vehicle sales

20%
Sales dip for all vehicles compared to 2019

"Maybe our greatest progress has happened during this pandemic period"

has focused on electrification, and we will have five battery electric vehicles on the market by the end of the year, including two new SUVs. We were one of the first organizations to commit to the Paris climate agreement—we're committed to getting our vehicle-specific CO₂ emissions down globally by 30% by 2025. We want our operations to be carbon neutral by 2050. Audi has invested significant dollars—around €17 billion of our €35 billion investment budget up to 2025—on future technologies. So what does that mean for Canada? We're assessing our CO₂ footprint and looking at logistics, at our facilities and our operations on the retail side. On the electrification side, there are definitely things that need to happen—in the business community, in government and in society—to accelerate that. The first part is on the consumer side. We're making sure consumers are comfortable with what an electrified mobility lifestyle would look and feel like, and giving them choices comparable to every internal-combustion engine vehicle. Building infrastructure is important too. How can we all work together, government and manufacturers, to make that investment? We're investing with Electrify Canada, part of the Volkswagen Group, to add charging stations across the country. By the end of 2021, it'll be over 30, and then the big push will be to get to 100 stations. So we're really committed to not just the technology and becoming this electrified automotive company, but trying to live this progress and this kind of sustainability approach that every company and every person needs to take seriously.

But it goes beyond electric vehicles. Technology will unlock a lot of things. As autonomous driving becomes more of a proven technology—and we're not talking about the next few years—it will improve safety, so there will be fewer accidents. Cars will become a comfortable place where you do a lot of your work and leisure as you get from one destination to the other. This is what Audi is doing—we're looking at how our interiors can become more of a premium living area.

/Interview by Alex Mlynek



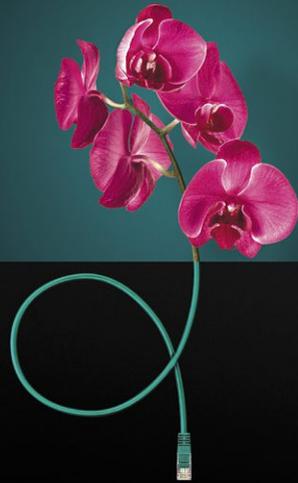
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The world is going hybrid

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