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Boeing flies into venture firm

Kicks in \$10 million. TechnoCap says the move will help its stable of startups

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Aerospace giant Boeing Co. is taking a flier on emerging Canadian technology companies through a \$10-million investment in TechnoCap Inc., a Montreal venture-capital firm.

The investment is a Canadian first for the Chicago-based company. The goal is to expand Boeing's research-and-development capabilities, said Miller Adams, director of technology planning and acquisitions for Boeing Phantom Works, its R&D unit.

"We met TechnoCap at a venture-capital conference two years ago. Unbeknownst to them, we already knew about some of the companies in their portfolio," Adams said.

"They were working in technology areas that were of interest to the Boeing Co."

Boeing is especially interested in technology that can help it streamline business processes and enhance the value of its products and services, he added.

Boeing's businesses include commercial airplanes, air-traffic management, integrated defence systems, launch vehicles, satellites, and advanced information and communication systems.

"For us, the money is really secondary," said Richard Prytula, TechnoCap's president. "Being able to work with (Boeing) is the main thing."

Boeing's influence and purchasing power would be of enormous help to any company looking for a break. "Its information-technology unit, if broken out alone, is big enough to be a Fortune 500 company, in terms of purchasing power," Prytula said.

Since 1993, TechnoCap has raised \$250 million in venture capital, with a specialization in technology companies. Its portfolio includes Yatta Yatta Inc., an Edmonton data-storage firm, Hyperchip Inc., a Montreal telecommunications company, and Webplan Inc., an Ottawa supply-chain software developer.

Not all the investments have yet proved their market worthiness. Hyperchip has raised more than \$220 million since 1999, including \$50 million in Quebec government money last year.

Despite its financing success, Hyperchip has no sales or customers for its telecom gear.

Canada is not new territory for Boeing. The Chicago-based company has been doing business north of the border for more than 80 years and includes four company-owned facilities and contracts with more than 200 suppliers. The company employs 2,000 Canadians directly and supports 30,000 more through suppliers.

Boeing has made research and development investments with venture-capital funds in the U.S., Britain, Israel, Australia, Russia, Japan and Switzerland.

"We like to keep our investments somewhat in line with the other limited partners in these ventures and that usually means within the \$5-million and \$10-million range," Adams said.

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