



IAN STEWART, SPECIAL TO THE RECORD

Sol Algranti, left, and Brian Hunter are the founders of NorthSpring Capital Partners, a private equity firm that started investing in high-tech companies three years ago.

NorthSpring finds new niche among tech deal makers

JOINING THE ANGELS

Chuck Howitt, Special to The Record

When Brian Hunter and Sol Algranti launched their private equity firm eight years ago, they didn't have much interest in high tech.

Too risky, they decided. Besides, Hunter and Algranti were happy to stick with what they knew best — traditional manufacturing.

Hunter had spent 30 years at Roynat Capital, the business investment division of Scotiabank, making commercial loans to hundreds of small and medium-sized enterprises before retiring in 2008.

A mechanical engineer by trade, Algranti had logged more than 30 years running a plastics company that made and distributed rain barrels, garden ponds and tools for the plastics industry.

Together they launched NorthSpring Capital Partners in 2009 to tap into the management-buyout market. Scores of businesses were expected to change hands over the next few years, but most had no succession plan.

Who better than the managers to take the reins and keep the company going? All they needed was cash to make it happen. “If the managers want to buy it, it’s probably a good deal and they often get a preferred price,” Hunter says. “We thought this was a good entry point.”

For a number of years, they did well, investing in area firms involved in the food industry, printing, fibreglass, welding and vehicles using compressed natural gas.

But something kept gnawing away at them. Maybe those quirky entrepreneurs in the tech community were on to something after all. Maybe NorthSpring was missing the boat by not tapping into Waterloo’s booming tech sector.

“We decided we’d be kicking ourselves in 10 years if we didn’t take advantage of the opportunity that’s here,” Hunter says.

So three years ago they joined the Golden Triangle Angel Network and took the plunge into tech. At Golden Triangle, they were exposed to about 30 potential investments a year involving local and area technology companies.

It seems these high-tech neophytes were quick learners.

In three short years, NorthSpring has invested in more than half a dozen early-stage technology companies in the Waterloo-Toronto tech corridor involved in such fields as video analysis, medical devices, surgical navigation, employee wellness, cloud computing and artificial intelligence. And Hunter has turned heads enough to be named “angel of the

year” by Golden Triangle at its annual awards event earlier this year.

Hunter is quick to dispel the notion that he and Algranti are the second coming of Bill Gates. The Western University MBA grad, class of 1978, says he relies heavily on the advice of more experienced angel investors at Golden Triangle, some of whom are veterans of the tech industry and have worked at large companies such as BlackBerry.

In addition, NorthSpring likes to piggyback on a deal with other agencies such as the MaRS Discovery District in Toronto, FedDev and the Ontario Centres of Excellence. “We’re looking for other smart investors to invest with,” Hunter says. “I don’t like to be the only investor at the table.”

He’s impressed by the companies the firm has pumped cash into, including Ssimwave, makers of video assessment technology, and Intellijoint Surgical, whose products offer precise measurements during hip-replacement surgery.

The entrepreneurs behind these companies aren’t just students trying to commercialize a school project, Hunter says.

“Some have 20 to 30 years’ experience in industry, some are pros. They’re world leaders at what they do.”

NorthSpring’s market niche is filling the financial gap between angel investors and government agencies. A tech startup might come to Golden Triangle seeking \$1 million to \$2 million. FedDev, MaRS or OCE might kick in \$500,000. Several angels would pony up \$25,000 to \$50,000 each. NorthSpring rounds out the deal by throwing in \$50,000 to \$500,000 in the form of loans or share

purchases.

“We can bring in that bigger cheque that helps make the deal happen.”

The firm likes to get involved when the startup has a product or service ready to go to market and generate revenue.

NorthSpring’s goal is to at least double its money in five years and to be out of the deal in the same length of time. It has made 20 investments overall — including manufacturing as well as tech businesses — worth about \$7 million, and has exited half of them.

The firm has two other partners — Sol’s son Alby Algranti and Sol’s son-in-law David Shekhter — but they run other businesses and are more passive investors, says Hunter.

NorthSpring brings much needed “professional investment experience” to Golden Triangle, says Rob Douglas, the angel network’s president. Most other members do not have a background in finance and investments, he notes. Hunter won ‘angel of the year’ because he attended every meeting, was an active member in “multiple due diligences” and has investments in a number of Golden Triangle firms, says Douglas.

Apart from making a return on his investments, the 64-year-old Hunter says he likes to stay involved in the business world. At RoyNat he spearheaded hundreds of commercial deals over the years. Investing in companies is in his blood. “To me it’s like a hobby. You learn a lot.”

And then there’s the sheer satisfaction of watching a young company blossom. “We enjoy helping companies and entrepreneurs get off the ground.” ■

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