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PROFIT HOT 50: Overview - Canada's hottest startups

By Jim McElgunn, September 13, 2010



only modest revenue growth.

The economy has been in such a sorry state for the past two years that you can't expect companies to have done much more than stay afloat. Businesses that have had to contend with an international financial crisis, followed by a bruising recession and a pale imitation of a recovery, have done well to eke out

Try telling that to the PROFIT HOT 50.

The firms on PROFIT's 11th annual ranking of Canada's Emerging Growth Companies haven't merely survived in the most perilous economy in decades, they've flourished. The HOT 50 have shown that even in a Great Recession, you can go great guns.

The proof: over the past two years alone, the country's hottest young businesses have achieved average revenue growth of 548%. Eight of them have recorded growth rates in excess of 1,000%. And the HOT 50's dramatic expansion hasn't come at the expense of their bottom lines. Despite the high up-front costs and tough competition most startups face, a great majority (82%) of these companies turned a profit in their most recent fiscal year.

What's their secret? Canada's next generation of entrepreneurial bright lights has shown a keen eye for exploiting underserved niches, a willingness to take risks, a ruthless attention to cost control and, above all, a passionate commitment to delivering value to their customers. Their success stories offer inspiring examples of how companies of any age can thrive amid bleak times. To generate the supercharged growth needed to crack the HOT 50, you have to do a great many things right. But a few of these stand out as especially important.

Above all, you have to pay close attention to HR. When the HOT 50 chief executives were asked to rate the factors crucial to their fast growth, they scored recruiting and retaining good staff well ahead of any others. The CEOs also gave very high scores to factors such as capital generated by the business, strategic sales and focusing on a narrow niche market.

You can't build a growth star without capital—usually far more than you think you'll need. The overwhelming majority of the HOT 50 (92%) drew on the founders' own capital, and a solid majority (60%) on bank financing. Beyond these two, they turned to a wide variety of sources, such as friends and relatives, various forms of assistance from the federal government—and their credit cards.

It's no surprise that the HOT 50 includes companies in obviously hot sectors such as software development. Yet who would have predicted that the fastest-growing firm—Great Circle Works Inc., with two-year growth of 2,277%—would be a toy and sporting goods manufacturer? (See "Not-So-Wild Child".) The ranking also shows you can generate go-go growth in sectors as varied as tile retailing, pet spas and prefabricated pipe assembly.

While the HOT 50 firms were all over the map in terms of their lines of business, their CEOs shared plenty of common ground in their experience of running a successful startup. When asked to reveal their biggest surprise with launching a business, the CEOs repeatedly cited one of two answers: "How much work it was" and "How much fun it was."



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Ian_Portsmouth MoJo let go by Toronto FC -- two years too late in IMHO! <http://bit.ly>

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And when asked what they'd do differently the second time around, most CEOs offered one of two responses: "Nothing" or variations on an inspirational theme put best by one HOT 50 leader: "I would have dreamed bigger."

When HOT 50 CEOs look back on their firms' short histories, they don't focus on the troubled economy. Rather, they see an environment so rich with opportunities that if they have any regret, it's not having chased those opportunities even harder.

How we ranked them

Entries were ranked by two-year revenue growth, with revenue and net income verified through financial statements. All growth rates were based on base-year revenue of at least \$50,000. For details about the ranking procedure and eligibility criteria, visit PROFITguide.com/awards. Entries were solicited through an entry form distributed in PROFIT and at PROFITguide.com, and through targeted direct mailings to qualifying companies.

The nomination drive was also promoted through Canadian Business, Maclean's, the PROFIT-Xtra e-newsletter and several major Canadian business organizations. The information in this issue and on PROFITguide.com is the only data that PROFIT will release on the HOT 50.

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2
3
4
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