



Tech Futures:
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By [Michael Volker](#)

Market Terminology for Dummies, Picking Some Winners, OTCBB Re-Sales now OK, Capital Pool Corps Update and Events Update

Market Terminology for Dummies:

I, like I'm sure many of you do, receive a ton of email. Among the junk email, I get lots of jokes, usually about men, women and sex. But, I really like the ones about lawyers and finance the best. Here's a little stock market humor which was emailed to me recently. It offers some definitions of commonly heard market terms. Thanks to whoever initiated it. Maybe some of you can relate to these.

Momentum Investing - The fine art of buying high and selling low.

Value Investing - The art of buying low and selling lower.

Broker - Poorer than you were in 1999.

P/E ratio - The percentage of investors wetting their pants as this market keeps crashing.

Standard & Poor - Your life in a nutshell.

Stock Analyst - Idiot who just downgraded your stock.

Bull Market - A random market movement causing an investor to mistake himself for a financial genius.

Bear Market - A 6 to 18 month period when the kids get no allowance, the wife gets no jewelry and the husband gets no sex.

Stock split - When your ex-wife and her lawyer split all your assets equally between themselves.

Market Correction - The day after you buy stocks.

Insiders - the only ones who know how to make market gains.

EBITDA - Useless acronym used to allow firms to report a profit when there isn't really one.

Liquidity Crisis -swimming in red ink.

Market Cap - something to protect us from bumping our heads too often.

Picking Some Winners

I recently challenged some **Simon Fraser University** Engineering students to identify a B.C. company in which they'd invest. I said, "You are given \$5,000 to invest in one BC public company (find one on the T-Net web site) - large or small. Which one did you choose and why?" Here are their responses: (I hope that their atrocious spelling and grammar, which I've mostly corrected, does not reflect on their ability to pick some winners).

For \$5,000 you can only buy one or two hundred shares in the higher cap companies. So, I expected that many would dig into the T-Net list of companies and find some speculative gems trading in the pennies in which a \$5K investment in a two bit stock would result in owning 20,000 shares. Not so...they took the "safe" route, sticking with the top 20 companies. My guess is that they'd rather not fritter away this capital by speculating in the much riskier - and also potentially more rewarding - microcaps. I really hoped that with a "free" \$5k in hand, that they'd be adventuresome and discover some real exciting early stage tech deals.

Like most street investors, they did not spend much time looking at the numbers - the usual financial measures of performance and health. Instead, they went on gut feelings and street talk.

Here are their "picks" in order of popularity:

Ballard Power (TSE:BLD, \$82.80)
PMC Sierra (NASDAQ:PMCS, U\$32.30)
Macdonald Detwiller (TSE:MDA, \$23.75)
Sierra Wireless (TSE:SW, \$37.55)
Westport Innovations (TSE:WPT, \$11.55)
Silent Witness (TSE:SWE, \$10.60)
360Networks (TSE:TSX, C\$1.93)

Ballard Power (TSE:BLD, \$82.80)

Ben comments: "In the last year, **Ballard** has been in the news several times, announcing cooperative deals with major auto companies, as well as collaborative research with other alternative fuel companies. Although the first quarter statement shows that their financial position has not improved much since last year, I believe that Ballard is incurring excess costs right now while it is acquiring new technologies and firms. As the demand for fuel cells increases over the next few years, and judging by the impending energy crisis and the cost of fuel, the demand will increase and the extra research costs will be justified in the next few years. The stock may not go big in this year, but hanging onto it for 5-10 years will probably yield good results." (Ben, they'll welcome you as a shareholder. Companies like patient investors. Too bad you can only buy an odd-lot of 61 shares!)

Amir would invest his \$5,000 in **Ballard** "since it has very good potential in the future. With all the shortage of energy and the high prices of gas, it seems that we are heading towards using alternative energy sources. And Ballard is the leading company in the development of the fuel cell. It is partners with Daimler-Chrysler (I hate the new name...Chrysler, I think they never should have merged, but that is off the topic) which gives Ballard a good share of the market. Also the current price of the stock is \$83 which is a good price since I strongly believe the price will jump up

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once the car manufacturers start using fuel cells. The company's shares are listed on the TSE and Nasdaq. The average volume is around 1 million which is good sign." (Amir - I'm not sure why you believe that \$83 is a good price. Are you just trying to convince yourself that you've made a good buy, i.e. cognitive-dissonance reduction?)

Matt "believes that **Ballard** is a strong company (they just acquired Textron Systems of Wilmington, Massachusetts for 12.8 million) and fuel cells are going to be a HUGE part of the world in the future."

Yang "would invest \$5000 dollars in **Ballard Power** because it is the one company that I most recognize in the media, and I think their product is a very important one. I feel their work towards a no emission vehicle is important for our society and environment. Once the technology is accepted globally the company will do well." (Yang - some folks might criticize an investment decision based on media popularity, but on the other hand, that's what drives demand for stock. It amazes me how many tech CEOs believe that if they do a good job in managing their companies and report good financing results, the market will look after itself. Well, that just isn't so. Take a look at the media PR that even the largest of companies put out. The small CDNX guys aren't very good at this - notwithstanding the pure promotion plays).

Adam would invest in **Ballard** because "they are not a tech/software stock so their stock price has not been dropping too much as of late, as have some of the other stocks. They also have a technology that will be in great demand in the near future since gas prices are going up and the world's knowledge of the effects of air pollution and global warming is increasing. This is a big company with a solid foundation therefore its stock is not too risky and a worth while investment for about a couple of years or so. This is not a stock that you buy one day and sell the next." (Adam - I'd be interested in your definition of a "tech" stock. Ballard is one of the techiest stocks I've ever seen!)

Daniel likes **Ballard** for "the reason that they are a company that I believe shows a remarkable potential to grow. I really believe their technology will become an extremely valuable and sought after product as energy prices continue increase and people begin see the advantages of alternative fuels. Of course, it may be some time before their technology becomes enters mass production, however, this time will come and I want to be sure I have shares at that time. So my investment would be a long term investment." (Daniel - hang in there!)

Andrew is another **Ballard** fan. He comments that "this company has such huge potential and opportunity for growth that an investment of any money would bring great long-term success. In my current financial situation, a long-term investment with modest growth is what I am looking for. Also, since I have worked at Ballard in the past, I know the company is headed in a positive direction and would have no problems putting my money in it. On top of safe returns, I think that Ballard could become a world-player in every segment of the economy and could bring tremendous growth in the future." (Andrew - ah, ha! An insider's perspective! I think it is comendable that you would state what your investment criteria are. Very few people really know their risk-reward propensity.)

PMC Sierra (NASDAQ:PMCS, U\$32.30)

David says, "I will pick **PMC-Sierra**. PMC's stock has dropped from \$44 to \$32 in the past week. (actually I lost some money on it already). Therefore, if I have 5000 dollars, I will buy PMC's stock now and wait for it to go back to \$44. Although PMC has been downgraded by analysts lately and the analysts are holding less optimistic views on the semiconductor sector, I think when the

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computer products and internet backbone infrastructures reach capacity, the semiconductor industry will pick up again. Therefore, I believe within 2-3 years, people will once again put more money into computers and broadband internet devices. At that time, PMC will thrive again just like last year when it's stock reached \$250!" (David - if you really believe in the company, an averaging down strategy makes good sense. But just because it reached \$250 before, does not mean it will ever get there again.)

Nick likes **PMC-Sierra** because "I think that at this time the stock is undervalued at \$31. This stock has been as high as \$250 in the past. Clearly, at that point the stock was overvalued. However, I do think that PMC will gain ground over the long time. I think that now is a good time to buy this stock as the price is low." (Nick - I find it interesting that you would think \$31 to be a low price just because the price was once much higher. I'm not sure that this is a good way to make an investment decision. However, you'd be surprised at how many people look at the world in this way. If you use this logic, cheap penny stocks which have fallen from grace should look attractive to you.)

Farnam is also "interested in **PMC** because I think they are going exactly where market demands are leading. They achieved such a big success in a short period (compare to other company in their size). I knew they recently laid off about 13% of their employee due to the market slow down, but I think this is only temporary and they will go back up and rebuild their empire. The market is kind of slow now, but I think [hope] that market will go back up and PMC-Sierra stock goes back as high as it was [or at least close to that]." (Farnam - your honesty is refreshing. Indeed, that's what most of us do when we invest - Hope!)

Bob wants to buy **PMC-Sierra**. His reason: "Although the Nasdaq is dropping so much in the previous three days and there is still much bad news floating in the market, I still think PMCS should be a good choice for short-term buying. Since short-term buying can ignore the P/E ratio and its revenue report (its upcoming revenue report is not in the next month), after analyzing the 1 months average price is about \$37 - \$40 and I believe it is at a good price to buy now (\$32.53). There is a gap in between those two prices. After considering the Nasdaq growing trend, I believe it can rise to ~\$38 within these two weeks if it is not accidentally downgraded by those investing companies like Morgan Stanley and Salomon. And probably Federal will lower the interest rate soon (25 basis points as the public predicts), it MIGHT be able to simulate the market a little bit. Thus, PMCS is ok to invest at this moment. The profit is about 15% after the trade is deal. Once I have gained the profit, I can invest on other companies for short term." (Bob - hmmm, I'm not sure what to say about this approach.)

Vincent "would buy **PMC-Sierra** since it is in an area that will continue to see tremendous growth once a recovery is in place. It is a worldwide leader in communication chips and the need for bandwidth is only going to continue to grow, despite the oversupply today. The semiconductor sector is cyclical and we are near the bottom today, with all the pessimism going around." (Vincent - I'm with you!)

Macdonald Detwiler (TSE:MDA, \$23.75)

Dave says, "I would invest my \$5000 in **Macdonald Detwiler**. Aside from being the company I am tracking, it seems to have showed good performance even throughout the recent market slump. I think this is due to their very diverse market. They have contracts throughout Canada, the US, and Europe, and don't just depend on one sector (ie not just internet based) for their profitability. Besides their online geographical database (which could be used by everyone from prospectors to home buyers), they have major contracts with space agencies, and the US Military

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(who has a bigger budget than the US military? Bush is president for at least a few more years!)" (Dave - MDA is one of B.C.'s very first tech companies. You're right about their diversity.)

Keith comments that he would choose **MacDonald Dettwiler** "because it had a positive value for its earnings/share and PE ratio. None of the other public companies in the top 5 had positive values." (Keith - I was going to ask you what its numbers were, but after you noted that none of the top 5 had earnings, I can see your point.)

Sierra Wireless (TSE:SW, \$37.55)

Troy's decision to invest in **Sierra Wireless Inc** is based on these reasons: "1)Sierra is one of the top runners in the industry it is in. I believe its product (wireless modem) will have a huge market later on; 2)Although Sierra is not a big company yet, but it is expanding at a REASONABLE rate. It has already built a solid foundation for future development; 3)It has a very good group of crew members on board. People in the company are smart, hard-working and very confident about the future of the company; 4) The company is doing extremely well recently. Its first quarter revenue this year increases more than 200% compared to the same time period last year!" (Troy - I'm assuming that you mean foundation, but your typo is fortuitous insofar as a good "foundation" - hey, maybe you coined a new term here - is an important balance sheet item, i.e. indicator of financial health, for any company. In SW's case, a quick look at the [SEDAR](#) filing shows that it has \$50 million in cash and short term investments.)

Victor "will invest in **Sierra Wireless** because its products, wireless modems for laptops and PDAs, will be in huge demand as new wireless technologies are implemented to allow high speed wireless Internet." (Victor, that's probably true, but don't forget about the competition.)

If you want the inside scoop on Sierra Wireless, come on out to the Vancouver Enterprise Forum's annual dinner (see below for more info) to hear it's CEO.

Westport Innovations (TSE:WPT, \$11.55)

Jason has "decided to invest my \$5000 in **Westport Innovations**. I chose this company because venture capitalists financed this company which indicates that it may have good growth potential in the future." (Whoa, Jason - they're not always right. Although in this case, I would tend to concur with you.)

Arthur "would invest in **Westport** Innovations Inc. I think that interest and belief plays a stronger role for me than profit alone in an investment. I have interest and a small background knowledge in their development of cleaner diesel engines. I also like their goal to reduce pollutant from emissions of cars. The market value of their research should also be noted. The timely research into a more economical transportation during the "energy crisis" currently seems to have a promising future. Aside from my choice and explanation, I understand I still don't have the skills to really invest \$5000 with that little thought!" (Arthur - thanks for your honesty - but don't worry - most of us are just like you - more skill and a crystal ball will always help.)

Silent Witness (TSE:SWE, \$10.60)

Jessica "has chosen to invest the \$5000 in **Silent Witness**. This is the company that I am following. This is also the company that I would like to work for. I think that their product is very up-and-coming, so I believe that their stock can only go up from here. Their stock is currently trading at a \$10.60 so with \$5000 I could buy roughly 471 shares." (Jessica - investing in your

employer makes good sense. Why work for a dog?)

360Networks (TSE:TSX, C\$1.93)

Leung picked **360Networks** because "I think the stock price (around U\$1.21) is low because investors today are worried that 360networks can't deliver its product soon and these investors are short term investors. I think that 360networks can't deliver today but will deliver in the future and its stock price will rise. 360networks, in my opinion, is a good long term investment." (Leung, I like optimism and long term players, but don't let too much optimism cloud your judgment. But, because there are so many worriers about 360, you may just be right.)

OTCBB Re-Sales now OK

Readers of this column will know that I'm not a bigOTCBB fan. Remember - this is what many promoters refer to as the NASDAQ OTC (Over-the-Counter) board. Calling it Nasdaq is quite a stretch. In any event, many B.C. shareholders of such stocks have been, in fact, selling their holdings illegally (securities rules are so complex, I'll bet that anyone who's active in the industry has at one time or another done something "illegal". But, that's another subject.

In any event, the **BC Securities Commission** has now decreed that "B.C. SHAREHOLDERS MAY NOW LEGALLY SELL OTCBB PRIVATE PLACEMENT STOCK, IF CONDITIONS MET". The new ruling, BCI 72-502, reverses the position held by the BCSC until now that it was "protecting the public" by not allowing British Columbia shareholders to sell their shares acquired through a private placement in a non-B.C. reporting issuer even outside British Columbia.

For details, Link to: <http://www.cwilson.com/newsletters/securities/slb-may01.htm>

Capital Pool Corporation (CPC) Update

In this column, I keep track of **Capital Pool Corporation** ("CPC") companies (see chart below) as defined by the CDNX because they may provide funding and management to, and in the process acquire, technology companies. They provide companies with an alternative to traditional venture capital financing. CPCs are the continuation of the former VCP and JCP programs on the Vancouver (VSE) and Alberta Stock Exchanges.

The future of the CPC program is uncertain with the TSE takeover of the CDNX in that more red tape is likely to be created. It already takes too long to get a deal done. Let's face it, these are nickel and dime deals and shouldn't be vetted to death by regulators. Use the "red-herring", approach!

Since the program was launched, more than 250 CPCs have been formed and more than 30 have completed their so-called Qualifying Transactions (QT). It takes at least a year - usually longer - for a CPC to find a suitable takeover candidate and another six months to a year for a deal to be finalized. One way to expedite the process is to eliminate the need for a special shareholders meeting to approve the deals - leave it up to the CPC boards.

The only new addition to the list this month is **Peterborough Capital Corp**, a CPC from Alberta. The fact that this is the ONLY addition may indicate that CPCs are decreasing in popularity.

Since the previous update at the end of April, the following companies have come to trade:

Abenteuer Resources Corp., Capalta Inc., Entertainment Royalties Inc., Gateway Enterprises Ltd., Karma Capital Corp., Legend Capital Corp., Longview Petroleum Corporation, Marquette Capital Corp., Medical Ventures Corp., Semco Technologies Inc., and Wrangler West Capital Corp.

Since the previous update, **Avalon Works Corp.** and **New Xavier Capital Corp.** have been removed from the list because they have completed their QTs.

Check our [Capital Pool Corporation chart](#) (in .pdf format) for a complete list of the CDNX's CPC and VCP companies, thanks to **David Ing** of **Pacific International Securities**

An introductory article explaining CPCs may be found at <http://www.bctechnology.com/statics/mvolker-jun0200.html>.

Local Happenings

Next month, the [Vancouver Enterprise Forum](#) will be holding its end-of season Annual Celebration Dinner wrap-up event on June 19th. The subject is: **Wireless Data in BC: Twenty Five Years to Overnight Success**. The keynote speaker this year is **David B. Sutcliffe**, President, Chief Executive Officer and Director of **Sierra Wireless** (TSE:SW). Mr. Sutcliffe has been the President and Chief Executive Officer of Sierra Wireless since 1995. He has over 20 years of experience in the high technology industry. Prior to joining Sierra Wireless he was a President and Chief Executive Officer of **Xillix Technologies** (TSE:XLX) Corp. and prior to that was the Vice-President and Business Unit Manager at the Mobile Data Division of Motorola.

Sierra Wireless is a leading provider of wireless data communications hardware and software products. The company's mission is to be the world leader in wireless data modems and enabling software. In this global, high growth industry, Sierra Wireless is the wireless enabler for laptops and Personal Digital Assistants (PDAs), providing wireless access to the Internet for people using these portable information devices. Details and registration information on the event are at www.vef.org.

The [BC TIA Annual Awards Gala](#) honoring the industry's best and brightest will take place on June 13th. Join in the party and discover which companies have the best chance of emerging as BC's next Pivotal Corporation or PMC-Sierra. In past years, CEOs have used this venue to voice their displeasure with BC's government. We won't be hearing that again!

Some year, these two organizations will co-ordinate their calendars so that we don't have to get stuffed twice within a one week period!

For a complete calendar on technology events, check [T-Net's Events page](#).

Got a hot idea? Check out **New Ventures BC**. The New Ventures BC Competition is an annual event open to all BC residents, with prizes totaling \$125,000 - which is believed to be the largest of its kind in North America. Individuals with a new business idea can attend seminars and networking information sessions that will give them the chance to turn their idea into a successful startup. A number of these are scheduled to take place during the month of May. Check www.newventuresbc.com for details.

SFU's **TIME Centre** is open for business - business folks, that is. TIME is an acronym for

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Technology, Innovation, Management, and Entrepreneurship. TIME supports the growth and development of the tech industry in B.C. TIME features a "BusinessCentre" (looks like an airport business lounge) which is open to technology entrepreneurs and business people to use as a drop-in downtown office facility. Need to plug-in? Make some calls? Do some work? Hold a meeting? Why hang out at MacDonald's when you can work productively at the TIME Centre? Drop by and check it out! It is located at SFU's downtown Harbour Centre campus at 515 West Hastings St. More information can be found at www.sfu.ca/time. PS - there are some great facilities for holding your company's AGM.

For a convenient printable, pdf version of this column, [click here](#).

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What Do You Think? Talk Back To Mike Volker

Tech Futures is a bi-weekly column that focuses attention on new and emerging BC publicly listed technology companies.

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