



“ ATB IS LAUNCHING A SERIES OF INITIATIVES THAT WILL HELP ALBERTA-BASED MANUFACTURERS GROW THEIR BUSINESS AND BECOME MORE COMPETITIVE ON A GLOBAL STAGE. ASIDE FROM OUR EXPERTISE IN DELIVERING UNPARALLELED BANKING SOLUTIONS, ATB IS HELPING MANUFACTURERS FIND NEW MARKET OPPORTUNITIES AND ACCESS INNOVATION SUPPORT NETWORKS ACROSS ALBERTA.”

– **QASIM RASI, DIRECTOR, STRATEGIC MARKETS, ATB FINANCIAL**

CUSTOM FIT

The Apparel Innovation Centre is a rare success story in diversification. For other manufacturers to do the same, they will need to develop a strategy that is tailor-made to their needs

ALBERTA DOESN'T EXACTLY have a reputation for its state-of-the-art facilities dedicated to the research and development of clothing products. But that could be changing after Alberta Garment, in partnership with Olds College, launched its Apparel Innovation Centre in Calgary, a facility that is equipped with machinery to test, design, manufacture and commercialize innovative apparel products for both the industrial and

consumer sectors. The company opened the facility in January of 2016 after securing \$2.9 million in funding from Western Economic Diversification Canada.

The innovation centre is impressive for two reasons. First, the facility's equipment will allow the company to provide leading-edge testing services to its clients: Its thermal comfort testing chamber, for example, can heat-test product prototypes on a full scale simulator that can reach between 40°C and -40°C. But perhaps more importantly, the facility also marks the



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company’s successful pivot away from the oil and gas sector and toward a more diversified portfolio.

The Company conceived of its diversification strategy in 2012, when its client base was almost solely in the oil and gas industry. Its principal revenue driver was supplying fire retardant coveralls to energy firms in Alberta. But since launching the Apparel Innovation Centre, the company has vastly broadened that base to include national companies like Canada Goose, Imagewear and Marks Work Warehouse. “For quite some time, Alberta-based manufacturers have been manufacturing and serving one particular industry,” says Qasim Rasi, the Director, Strategic Markets at ATB Financial. “Due to the current downturn in the oil and gas sector, they’re now looking for new opportunities across Canada and in international markets.”

Alberta Garment’s diversification aligns with a broader necessity for Alberta’s manufacturing sector to widen its client base amid a downturn in the energy sector. Indeed, there has never been a more important time for Alberta’s manufacturers to innovate – and, as it turns out, there’s never been a better time to do so.

Manufacturers need to clear three main hurdles to thrive in the current market, Rasi says.

First, companies will need to seek out new markets; second, they need to innovate processes and products; and third, they must find the capital needed to fund expansion.

Due to its expertise in the local market, Rasi says ATB is particularly well-positioned to help manufacturers achieve all three steps toward growth. Rasi says the ability to clear the first two hurdles is largely tied to a company’s ability to find valuable partnerships. “It’s not solely about money,” he says. “We can help you find market opportunities, we can help you find new sources of R&D funding and we can help you bring in new partners from industry or from academia. We are reaching out proactively to make sure [our clients] are aware of all the amazing resources that are at their disposal in Alberta.”

Rasi says there are numerous programs, organizations and institutions that companies can draw on when attempting to enter a new market or develop innovative technologies. Government offices like Export Development Canada (EDC), Global Affairs Canada (GAC) or the Canadian Trade Commis-



sioner Service can be valuable – if not vital – assets for market information and assistance in new sectors. Educational institutions like Red Deer College, the University of Alberta, NAIT, SAIT, Olds College, the University of Calgary and many others can also provide a critical knowledge and research base for any manufacturing company seeking growth.

Rasi says ATB's sizeable team of experts act as the link between the funding programs and partnerships that are available in Alberta. Moreover, ATB's personnel are aware that every company faces unique challenges and possesses unique strengths, and so their experts strive to develop a strategy for clients that is form-fitted to their situation. "We're not using a generic, by-the-book approach with our clients," Rasi says. "During this downturn, we've put a tremendous effort into making sure all of our manufacturing clients have access to the type of funding opportunities and partnerships that meet their needs."

Additionally, Rasi says ATB's local focus gives it insight into Alberta's unique market. "Unlike some of the big nationwide banks, ATB's home is in Alberta. When is the last time a major bank called you to see how they could help?"

While ATB can help manufacturers enter new markets and develop innovative technologies, it can also lend a hand in clearing the third hurdle: access to capital. As any company knows, market diversification and innovation are impossible without capital funding, whether it be through conventional means like debt or equity injections, or through unconventional methods like venture capital or crowdfunding. ATB understands that every manufacturer requires a unique funding model. That's why the bank launched ATB Capital, a \$100 million private equity fund that will take minority equity positions in Alberta's best managed companies.

The fund will be headed by Terry Freeman, the Director of Investment at ATB Capital, who has a long career in finance, including a management position at a boutique private equity firm. Freeman says ATB Capital will focus on three distinct investment opportunities in Alberta. First, the fund will approach companies that are in the midst of "legacy management buyouts," or when a company is forced to pay out retiring management members. "There's an opportunity to partner with the management of those firms to keep them alive and thriving without

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“WE HAVE A FANTASTIC ROSTER OF CLIENTS THAT ARE SUCCESSFUL AND HAVE BEEN INVOLVED WITH ATB FOR DECADES.”
- TERRY FREEMAN, HEAD OF INVESTMENTS, ATB CAPITAL

having to do buyouts,” Freeman says.

Second, the fund will target companies that are in “inflection points,” or at a point where they have just signed a new contract or are targeting an asset for acquisition that requires capital on a scale that can’t be supplied under their existing debt structures. Third, ATB Capital will look to invest in companies in Albertan markets outside of Edmonton and Calgary, which typically absorb the majority of the attention from private equity funds.

And yet, despite the positive opportunities ATB Capital provides companies, Freeman says the main purpose of the fund is to bolster the bank’s already

deep expertise in funding capabilities. “We have a fantastic roster of clients that are successful and have been involved with ATB for decades,” he says. “And we’re able to use our relationships with them to cut to the chase and find those prospects more quickly.”

To achieve success through a diversification strategy, Alberta manufacturers will need to define new targets for growth, innovate their processes and acquire the necessary capital. In doing this, these companies will need a bank that understands their business and can connect them to the funding and knowledge that is abundant in Alberta. ■



KEY TAKEAWAYS

ATB Financial experts weigh in on how manufacturing companies should approach the current market



QASIM RASI
DIRECTOR,
STRATEGIC MARKETS,
ATB FINANCIAL

ON WHY NOW IS A GOOD TIME TO INVEST IN INNOVATION: “It is at times like this that novel innovations in operational efficiencies, manufacturing methodologies, supply chain, logistics and R&D emerge as a coping mechanism to remedy the effects of the economic stress. So instead of waiting for the economy to turn around, this is actually the best time to actively seek out new opportunities (internally and externally) and plan for post-recession success. Research has shown that companies that embrace innovation, retain talent and improve operational efficiencies do much better than those that try to defensively mediate the effects of down turn by introducing dramatic cost cutting measures that ultimately impact innovation”

- Qasim Rasi



TERRY FREEMAN
HEAD OF INVESTMENTS,
ATB CAPITAL

ON HOW ATB CAPITAL CAN HELP MANUFACTURERS ACCESS CAPITAL: “The cost of the acquisition of assets is dramatically lower than it was in the last two years. ATB Capital is going to help clients understand what a future financial profile should look like; it will help them understand how the addition of capital and assets will build value for both themselves and ATB Capital. Additionally, it will help them understand what kind of organizational additions they might need to be able to execute on growth.”

- Terry Freeman

ON HOW COMPANIES SHOULD APPROACH DIVERSIFICATION OPPORTUNITIES:

“Diversification is a critical component of a company’s growth strategy. With the current uncertainty in the oil and gas market, seeking new markets or re-adapting existing products and expertise to new uses or new opportunities is an important step to ensure long term success. Alberta has a wealth of talented people who know the manufacturing industry extremely well. So my advice would be to make sure you reach out to these mentors who have a highly specialized understanding of your business. And if you don’t know who they are, ATB can help make those introductions”

- Qasim Rasi

ATB Financial™

DOES YOUR BUSINESS NEED ASSISTANCE?

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