

INFORMATION TECHNOLOGY

Fredericton's LearnStream picked up by Toronto firm

E-learning company acquired in friendly takeover by Provinent Corporation

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Telegraph-Journal

FREDERICTON - In a bid to build up corporate strength in the competitive world of information technology, Toronto-based Provinent Corporation on Thursday acquired Fredericton's LearnStream.

"Over a year ago, we decided we needed to be part of a larger entity. The small niche player wasn't going to be the future," said Ken Reimer, the outgoing chief executive officer and president of LearnStream.

"The future was going to be in larger, full-scale operations. We started looking around a year ago and, when we started talking to Provinent, we found a really good connection with them (we have) similar cultures and it looked like very good synergies."

The deal was inked late Wednesday evening and the announcement was made via press release Thursday.

In all four managers - two in New Brunswick, including Mr. Reimer - lost their positions in the acquisition.

Mr. Reimer will remain with the company through the transition phase and retain a consulting role with Provinent, which already has a corporate development office and 34 employees in Fredericton.

LearnStream was attractive to Provinent for several reasons.

First, was the office location. LearnStream opened last year in Washington, D.C. and its two-year contract with the World Bank to develop learning-support software.

Also, it landed a subcontract as a result of the Canadian navy's move to replace its aging Sea King helicopters.

LearnStream will create courseware to teach pilots to operate new Cyclone helicopters.

"Those were attributes that were easier to look at through acquisition as opposed to working through organic growth over the next 18 months," said Ted Root, CEO of Provinent Corporation.

Mr. Root said the new company anticipates it will increase staffing by 200 to 300 per cent in Fredericton.

LearnStream received a \$640,000 forgivable loan from the provincial government in January of 2001, contingent on its creating 80 jobs in addition to the 150 the company already had.

When numbers dipped, the province extended a deadline for creating the jobs to March 31, 2009. As part of the takeover, Provinent must maintain a minimum of 64 employees at the new company's two Fredericton locations for six years to maintain the terms of the loan.

"It gives us access to clients and

geography that we didn't have," said Mr. Root. "In addition, there was an opportunity to bring together companies that shared great values and a position in the market place. It was a unique acquisition opportunity."

LearnStream started in 1993 with a staff of seven but grew to become one of the country's most successful training-solution providers. Now, 75 per cent of its revenues come from contracts in the United States.

Its clients include Apotex, Sybase, SkillSoft, Royal Caribbean Cruises, MacDonald Dettwiler & Associates, Nortel Networks, Royal Bank, Clarica, the World Health Organization, the World Bank and the United Nations.

However, with downturns in the IT sector and increased competition, it became more difficult to succeed.

"The whole market went from larger to smaller, from that high-tech bubble where you couldn't do anything wrong, almost, in the e-learning world and high-tech in general," said Mr. Reimer. "Everybody kind of tightened their belts since that time, including LearnStream. We have been at a stable level for a little bit more of a year. It was generating a good revenue stream."

Mr. Root said there were a number of factors considered in the decision to make the investment.

They included predicted growth in the e-learning community of \$2 billion, rising from \$3 billion a year; stability in the North America economy which loosens corporate spending; acceptance that e-learning can drive investment; and the development of outsourcing of services, such as those offered by Provinent.

"We feel there is a fantastic opportunity to take advantage of macro economic factors throughout North America that uniquely establishes us a real force in those markets," said Mr. Root.

Thursday's announcement provided Provinent with an opportunity to develop its goal of making 20 per cent of its revenues in U.S. in the coming year.

When Provinent took over Thursday, there were 39 employees with LearnStream.

"For me personally, it is exciting, but also nostalgic, because you think of 11 years here with this team of people and handing that team over to new hands," said Mr. Reimer. "To say goodbye and to move on is always a tough time."

He said in the 11 years of operation, the company paid out \$35 million in salaries.

"I never expected it to be anything like that when we started here; that that would be the kind of impact we would have here," Mr. Reimer said.

Provinent was established in 1995 and is also a major player in the e-learning world. The new company now has offices in Toronto, Fredericton, Charlottetown, Ottawa and Washington. It is part of Seymour Epstein Enterprises Inc., a \$100-million stable of businesses operating primarily in the technology area.

Some of its clients include Canadian Tire, Scotiabank, FlightSafety International and Maple Leaf Foods.

"I am excited about the prospects of the company," said Mr Reimer. "I feel like this is going to be great for LearnStream and the combination creates a real powerhouse because Provinent already has a presence here in New Brunswick."

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