

I'm a believer: drug-supply startup proves its mettle

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Sine Chadi, CEO of Edmonton-based Imperial Equities, is shown in this 2007 file photo. Photograph by: Rick MacWilliam, edmontonjournal.com

EDMONTON - Chalk up another one for Sine Chadi.

When I first interviewed the CEO and majority shareholder of Edmonton-based Imperial Equities in 2007, he had big dreams for a tiny drug-distribution firm his company had just acquired.

I listened politely to Chadi's upbeat talk, but in truth, I didn't take it too seriously. After all, entrepreneurs are born dreamers and most of their schemes go nowhere.

Besides, I figured, what could a smallish local real estate operator with a market cap of just \$30 million and a clutch of second-tier industrial and commercial properties know about delivering drugs to pharmacies?

That's strictly a game for the big guys, I reasoned -- namely corporate giants like McKesson Corp., whose annual revenues (\$100 billion-plus US) dwarf the very largest companies in Canada, let alone a minnow like Imperial.

Well, it turns out I was wrong to dismiss Chadi's effusive outpourings. When I checked in with him a year ago, his drug-delivery service had grown to nearly \$13 million in annual sales, up from just \$1.2 million in 2006.

Not bad. But still modest. And his new sales target for fiscal 2010? Roughly \$30 million, or more than 150 per cent above the 2009 total. Well, good luck with that, I thought. Sounds like another fantasy.

So with Imperial's 2010 fiscal year in the record books, I dropped in on Chadi last week for an update. I had a feeling he'd have some excuses at the ready for failing to meet his lofty 2010 target.

Oops. Wrong again. Turns out Imperial not only achieved its goal, but surpassed it. Its drug-distribution arm generated sales of \$32.7 million for fiscal 2010, which ended Sept. 30, and it's on track to do even better this year.

Chadi's new target for 2011: a respectable \$50 million. And he expects that figure to double again by 2013, to \$100 million. Suddenly, we're not talking about a small startup venture anymore, and I'm no longer skeptical about Chadi's bullish forecasts. He's made a believer out of me.

"When you think about growing this company to another level, another level in my mind is taking it to \$100 million," he says.

"In my mind we've already reached \$50 million, so now we're focused on doubling it. We'll get there in two years. You can call it wishful thinking if you like," he says with a twinkle in his eye, "but I'm going to hit that by fiscal 2013."

So what's driving the business's rapid growth?

It comes down to superior service, says Chadi. The company's small fleet of five delivery vans and its 10,000-square-foot warehouse on the city's west side ensure that local pharmacies get the drugs they need when they need them, period. Sometimes, that's in as little as one hour.

"The vast majority of our business is right here in Edmonton, although we also do business in Calgary, Medicine Hat, Lethbridge and Red Deer. We work with independent drug stores, local owners who know us. We provide the same products and the same pricing, but much better service. Because of that, business is coming our way."

Although Imperial offers backup delivery service to some pharmacy chains, such as London Drugs, it has yet to become the preferred supplier for any of them. But that may soon change. Chadi says he's working on a deal with a major grocery store chain and hopes to announce it in the next few months.

"We have lots of room to grow. I want to see this become a big company one day. In the province of Alberta alone, there's more than \$2 billion of prescription drugs being sold annually, and that's not counting what hospitals and long-term care facilities use. That's just the retail end of the business," he says.

"So surely with the service we provide, there will be a day when we can deliver to the entire province on a same-day basis."

Meanwhile, Imperial's core real estate business isn't doing too badly either. With the economy in the Fort McMurray area "on fire," as Chadi puts it, demand for industrial real estate is back to 2007 levels.

"We're under construction there now for a Houston-based tenant that operates across North America. The property we're developing for them is the largest in their entire operation, and it's certainly the largest for Imperial Equities," he says.

"We've never paid industrial land prices higher than \$500,000 to \$600,000 per acre anywhere. But in Fort McMurray we paid \$1.25 million an acre for this land eight or nine months ago, and today that same land is worth \$2 million an acre," he adds.

"We bought five acres and paid \$6 million for it, and the building is costing us \$7 million all in. It will be ready by the end of January. We'll turn the keys over to the tenant and that will add about \$1.1 million annually to Imperial's revenues."

Imperial is also working on about \$10 million of industrial development projects around Edmonton, he adds. "That might not sound like a lot but for our small company, it's pretty significant."