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TAKING STOCK

## Maker of hybrid power trains, Azure moves to attract investors

By [Tom Henderson](#)

**Azure Dynamics Corp.** moved its headquarters to Oak Park from Vancouver, British Columbia, last October because it needed to be closer to suppliers and potential customers and to better attract U.S. investors as it finished the transition from research and development to commercialization, said CEO Scott Harrison.

“Most of our investors are from the U.K. or Canada. We want to get our story out to the U.S. investors, and we want to make it easier for them to buy our stock,” said Harrison. “With so much money going into green tech, we have a compelling story.”

Whether it attracts those investors remains to be seen. Azure began trading in the U.S. on the **Pink Sheets** in April under the symbol AZDDF and continues to trade on the **Toronto Stock Exchange** (TSX: AZD) and the **AIM** market of the **London Stock Exchange** (LSE: ADC).

At least one analyst expects big things of the company, which makes gasoline-electric hybrid power trains and components for the fleet delivery-van and shuttle-bus markets.

“This is a great example of a company that has crossed the chasm from R&D to commerciality,” said Marvin Wolff, senior analyst of industrial technology and a partner in the Toronto-based investment banking and research firm of **Paradigm Capital Inc.**, which rates Azure's stock as a buy.

“They've got the right product at the right time. With the high price of gasoline and oil, they've reached the point where the economics make sense,” said Wolff, who has followed the company since it went public on the Toronto exchange in 2001.

The company, spun out of research in 1997 at **B.C. Hydro**, a British Columbia electric utility, has a one-year high on the Toronto exchange of 69 cents and closed Pink Sheets trading Friday at 30 cents.

San Francisco-based **Merriman Curhan Ford & Co.** has also rated Azure a buy, saying in a May report that “we see signs of traction with key customers.” They praised the company's decision to concentrate on the Ford E-450 and E-350 chassis, the most common chassis in the delivery-van class.

“Intelligent market positioning places Azure at one of the sweet spots for hybrid vehicles,” said

the report, referring to Azure's targeting of companies such as **FedEx** and **Purolator**, whose trucks typically operate at low speeds in stop-and-go city driving. Hybrids boost gas mileage the most in such conditions.

Merriman Curhan predicted Azure's revenues would climb from \$2.8 million in 2007 to \$15 million this year, and to \$35 million in 2010.

Azure also was one of the presenting companies at the fourth annual **Merriman Curhan Ford CleanTech Conference** on May 13.

“In the second quarter of 2008, we'll see the start in terms of us having meaningful revenue,” said Harrison. He said the company doesn't give specific revenue guidance “but we see this company having a \$1 billion runway,” he said, referring to eventual annual revenue.

Toronto-based **Purolator Courier Ltd.**, Canada's largest overnight courier company, began working with an Azure prototype in 2003. The company bought 10 vans for its fleet in 2005, nine in 2006 and 30 in 2007.

“Like any new technology, if you're not willing to take risks, you're not going to succeed,” said Serge Viola, Purolator's national fleet director.

“There were some breakdowns and bumps in the road, but overall they've been very reliable. It hasn't been a bouquet of roses, but they've fixed things when they've gone wrong, and then they've gone back and applied those fixes to the fleet, which is all you can ask for,” he said.

The first 19 vans were diesel hybrids and have saved 40 percent on fuel costs, said Viola. The rest have been gasoline hybrids and save an average of 32 percent.

As a result, Viola said the company has ordered 105 vans for delivery later this year and will order 230 for delivery next year.

“We would have ordered more this year, but Azure wanted to target other fleets, too. They didn't want to give us all their business, which you can understand,” said Viola.

The company delivered 20 gasoline-hybrid vans to FedEx in April, and in May it got an order for 15 vans from **AT&T**. Several vans are being tested in Manhattan by the **U.S. Postal Service**.

According to Harrison, the hybrid chassis adds about \$30,000 to the cost of a \$45,000 standard Ford fleet van. He said with gasoline at \$3 a gallon, the payback to buyers through savings on fuel costs takes about four years. At \$4 a gallon, it drops to about three years.

The move to Oak Park was sparked, in part, by a tax credit of \$1.7 million the **Michigan Economic Growth Authority** approved last September, with projections that the company's move here would create 125 jobs.

The move also got the company closer to two of its major suppliers, Ford and Orion Township-based **Cobasys L.L.C.**, which provides it with nickel-metal hydride batteries.

Harrison, a former group vice president for **Hayes Lemmerz International Inc.**, said the 36,000-square-foot Oak Park facility will house the auto supply-chain function, upper management and administration, as well as some testing and engineering. Currently the company has about 15 employees here, with plans to be at 50 in the next two to three years. It employs about 130 in all.

*Tom Henderson: (313) 446-0337, [thenderson@crain.com](mailto:thenderson@crain.com)*

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