

Serious Materials Hunts For Acquisitions After Fund-Raising

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Having raised about \$20 million in a still-open Series D round, Serious Materials Inc. is evaluating several acquisition targets as it builds out its suite of products to improve the energy efficiency of buildings, according to the company's chief executive.

The recent fund-raising included investments of \$1 million to \$2 million each from several providers, pooled by investment bank Advanced Equities. "There was no one large investor," said Kevin Surface in an interview.

"The company was approached by Advanced Equities...and they came with a compelling offer," said Paul Holland, with Foundation Capital, which was one of the early backers of the company. "The valuation was a significant multiple of where we invested," he said, adding that Foundation did not re-up in this deal as it often stays out of later-stage financings of its companies. "Advanced Equities wanted to do the whole round," he added.

The company previously raised about \$115 million across several rounds from investors including Cheyenne Capital Corp., Enertech Capital, Foundation, Mesirow Financial, Navitas Capital, New Enterprise Associates, Rustic Canyon Partners, Saints Capital and Staenberg Ventures.

Acquisition opportunities would determine whether the company raises more capital in the Series D, Surface said. He said he expects the current round to be the last the company raises in the private market.

"We're focused on growth," said Surface, adding that the Sunnyvale, Calif.-based company hasn't reached profitability.

Serious Materials is looking at adding both software and new materials to its suite of offerings, which include an energy-management software package as well as energy-efficient windows, drywall and fiberglass. The companies it's evaluating have between \$5 million and \$20 million in revenue, Surface said. It has made eight acquisitions so far.

The company operates six factories and has about 400 employees, about double last year's headcount, the CEO said.

"We have 52 patents, we've got a lot of technology others don't have, we feel very bullish in the space," Surface said.

Serious Materials largely sells to building managers and real-estate trusts that are working on retrofits of buildings and want to add energy-saving components. The improvements made by Serious Materials have a typical payback of one and a half to three years, Surface said.

"It's a broader strategy than what most start-ups have," said Holland, "But that's the approach we're taking because we think it's a significant opportunity that would be served better by a company that offers many different products. We don't want to be just a windows company."

One of the challenges in the energy-efficiency industry is where to find financing for such investments. "It will be an issue," Surface said, but he added that the company is looking for customers that can finance on their own or have reliable capital resources.

This year, one of the company's largest projects was working on the retrofit of the Empire State Building in New York. The project was finished three months ahead of schedule, Surface said.

In 2011, "we anticipate another substantial growth year," Surface said. He declined to comment on revenue.