

SMS gets an assist from new CEO

BY JOHN PLETZ MAY 22, 2017



Taylor Rhodes

One of Chicago's most likely IPO candidates has a new CEO. Taylor Rhodes, who took cloud-computing company Rackspace public and then private, takes over for SMS Assist founder Michael Rothman, who becomes chairman.

SMS raised \$150 million from Goldman Sachs last June in one of the larger investment rounds for a Chicago company. Rothman, 61, a tenacious salesman who spent his career in industrial services, built the company to \$500 million in annual revenue.

Rhodes, 45, spent a decade at San Antonio-based Rackspace, a pioneer in cloud-computing services. The company went public at \$12.50 a share in 2008. The stock peaked at nearly \$80 a share in 2013 and was bought out for \$32 a share last year in a deal led by private-equity firm Apollo Global Management.

Rhodes takes over a profitable and fast-growing company; SMS's revenue rose 43 percent last year, while headcount surged to 642 employees at the beginning of this year from 334 in 2015.

SMS contracts with companies who provide all sorts of maintenance services for commercial businesses, from heating and cooling to snow removal. The company says it saves customers 10 percent to 20 percent through scale and automation.

Investors like the two-sided e-commerce platform that serves both providers and buyers of maintenance services. The company has moved into the residential market with partners such as Colony Starwood Homes.

"SMS is addressing a large, inefficient, opaque and too-costly industry," Rhodes told me. "There are a lot of similarities (to Rackspace). It's a combination of technology and service. The good news is Mike aimed the company at some very fat verticals: banks, hospitality, commercial properties. Now it's a matter of going deep."

He said the company will look to expand into additional business lines as well as increase its market share and add new business services.

Rhodes declined to speculate on an initial public offering, but SMS has frequently been mentioned as one of the few Chicago companies of sufficient size and growth prospects to be attractive to the public markets over the long haul. It became a unicorn, or company valued at \$1 billion or more, last year when Goldman invested. There hasn't been a local tech IPO since 2014, when Grubhub and Paylocity went public.

"There are multiple options," Rhodes said. "We have good growth capital, with cash on the balance sheet. The company is profitable and has been funding its own growth. There's no prescribed path."