

Unicorn sighting: SMS cleans up with \$150 million from Goldman

By John Pletz June 07, 2016

The best money is free. A close second is money that finds you.

A Goldman Sachs investment fund came to SMS Assist with an offer to invest \$150 million. Although his facilities maintenance company is profitable and he didn't necessarily need the cash, CEO Mike Rothman took Goldman up on the offer.

The \$150 million from Goldman Sachs Investment Partners, which brings the total it's raised to \$258 million, values SMS at about \$1 billion, making it a unicorn in the parlance of the tech industry.

"It's a huge validation for the business," Rothman said. "We're just pumped. This gives us a really strong balance sheet."

Goldman's outpouring is one of the largest single investments in a Chicago tech company in recent years. Online lender **Avant raised \$325 million** last year, and legal-software company **kCura raised \$125 million**. Chicago has only a few unicorns today, including Avant, ExteNet Systems, Mu Sigma and Uptake Technologies.

SMS Assist, which was **backed early by Pritzker Group Venture Capital**, is growing at eye-popping rates. With hundreds of millions in annual revenue, sales still are increasing at 50 percent a year, Rothman says, with no signs of letting up. The company manages the hassle of maintenance—everything from cleaning floors to plowing snow—for retailers and companies with dozens or thousands of locations, such as Family Dollar and JPMorgan Chase.

A little more than a year ago, SMS started doing the same thing for big real estate companies, such as Colony Starwood Homes, which own and rent out thousands of single-family homes nationwide. It got the volume of locations without having to chase the consumer market.

In the past year, SMS has doubled the number of locations it services to about 130,000, nearly half of them residential. After adding 175 people last year, headcount is about 550. The company has plans to hire a similar number this year, Rothman says.

"It's a massive market opportunity," says Christopher Dawe, co-head of Goldman Sachs Investment Partners' venture capital and growth-equity team, which previously invested in Chicago-based **Networked Insights**.

He estimates the potential market SMS serves at \$50 billion. "It's also been a sector largely devoid of innovation."

In addition to the move into residential, Dawe sees opportunity for SMS to expand outside the U.S.

IPO POTENTIAL

What attracted Goldman to SMS was the web and mobile-based technology that SMS uses to manage 20,000 service providers nationwide, as well as the massive amount of data it collects in the meantime. Rothman also has built the type of two-sided market that attracts investors, connecting buyers and sellers. Rothman says SMS saves the buyers money, and it brings more business to the service providers.

Goldman's investment values SMS at about four times the total paid by Emcor, a publicly traded company based in Norwalk, Conn., **paid for facilities-maintenance provider USM** in 2011.

USM had about \$375 million in revenue at the time. Rothman would't specify SMS's annual sales, saying only that it's in the hundreds of millions but less than \$1 billion. USM had a network of about 11,000 service providers, or about half that of SMS.

“SMS is not a facilities-maintenance company as much as a fully outsourced marketplace with an underlying data asset,” Dawe said. “It has a significant moat around the business model.”

SMS was founded in 1999 by Rothman's brother, Robert, and Mike Rothman became CEO in 2003. The company didn't take any outside capital until 2008, when it landed \$2 million. Chicago-based Pritzker Group Venture Capital invested \$17 million in 2011, then put in another \$45 million two years later.

SMS has been mentioned frequently as an IPO candidate. But the IPO market has slowed to a crawl. The Goldman investment gives SMS and its investors time to weigh their options. The inflow also allowed existing investors to pocket some of the money, though the company declined to specify how much. As privately held companies have waited longer to go public, it's become common for private-equity and mutual-fund investors to make large, late-stage investments. Goldman Sachs Investment Partners also invested in Uber, Facebook, Pinterest and Spotify.

An IPO still is an exit option, Rothman says. If he chooses that route, “it's a couple years away at least. We need to diversify our customer base.”
