

How a mundane maintenance company became Chicago's latest unicorn

By John Pletz June 18, 2016

If unicorn companies are rare, the newest member of the Chicago herd is one of a kind. SMS Assist, which wrangles maintenance companies like landscapers for businesses with lots of locations, is valued at \$1 billion after a Goldman Sachs fund that backed Facebook and Uber invested \$150 million.

Like Facebook and Uber, SMS is run by a college dropout whom investors laud as visionary; but that's where the comparison ends. SMS is an unsexy business-to-business services company that the average person has neither used nor heard of. It's 18 years old, nearly as old as Facebook and Uber combined. Michael Rothman, the 60-year-old CEO, isn't a young techie. He's been in the maintenance business all his life.

That's what investors like.

"He knows you get wax buildup on floors if you do it too often (and) what kind of wax to use," says J.B. Pritzker, whose Pritzker Group Venture Capital has invested over \$60 million in SMS.

Pritzker has been on sales calls with Rothman, whom he calls a bulldog. "He will not take no for an answer. He will not let you out of the room till he gets the sale. He's charming, not annoying."

The pitch is simple: Through its size and technology, SMS can save companies 10 to 20 percent on maintenance. Considering the biggest companies—with thousands of locations—spend hundreds of millions of dollars on maintenance a year, "that's a lot of money," Pritzker says.

Goldman Sachs bought into the story, seeing potential to be a winner in a \$50 billion industry where spreadsheets qualify as state-of-the-art and pen and paper are the norm.

Christopher Dawe, co-head of Goldman Sachs Investment Partners, says he was sold on SMS after talking to several large retailers that managed their own maintenance.

"The aha moment came when we asked how (their process) worked," Dawe says. "The retailer said it paid out of a cash register locally. In this industry, you typically have people who provide service or software, but you don't have both. SMS does both."

The company has about 550 U.S. employees, most of them at its headquarters in the John Hancock Center. Its technology team is about 140 people, mostly in China, where it has added more than 100 coders in the past five years. **SMS built a web platform** that streamlines scheduling and tracks work between maintenance providers and customers. It moved quickly into mobile with an app that allows a maintenance provider to take before and after pictures of a parking lot or lawn at a customer's location, submitting an invoice instantly while giving the customer verification. Trouble-shooting software—which walks store employees through simple fixes, such as resetting controls, and avoids the need for a technician—saves customers an average of 11 percent.

SMS is also profitable, another rarity. It has been growing at 50 percent annually for the past five years. It has become one of the giants in a fragmented industry, competing with USM, a division of Emcor Group, and FM Facility Maintenance. Rothman won't provide specific financials but says revenue is in the hundreds of millions.

To catch up, and justify the billion-dollar valuation, Rothman will have to push harder than ever. Although he's built a strong executive team, with **veterans of Oracle** and Wal-Mart, Rothman's management chops will be tested in the next few years.

Andy Hoar, an Evanston-based e-commerce analyst at Forrester, sees potential competition from Jeff Bezos'

expanding **Amazon Home Services**. “Right now it’s (business to consumer), but there’s nothing to prevent them from doing (business to business),” he says.

Of course, SMS has a valuable weapon. “Getting these companies to sign a contract and trust you—that’s the barrier to entry.”

Rothman also is banking on data. With 20,000 maintenance providers serving more than 130,000 locations, SMS now finds itself sitting on a lot of data about buildings, the systems they rely on and the people who keep them running.

“We have data on all our customers, which helps us know better what it costs to replace things like blower motors,” Rothman says. “No one knows what (maintenance) should cost. We do.”

SMS has **moved into residential**, working with big real estate companies that own thousands of homes. It uses the same maintenance providers that work on commercial properties. Homes generate less revenue than commercial properties do. But they give contractors more business, which allows SMS to push for deeper discounts.

“The contractor who does five locations in 5 miles now can do five locations within five blocks,” Rothman says.

That has investors such as Dawe talking about platforms, flywheels and the virtues of scale.
