

Capital

VC funding for Nano-Tex

Investors pour \$35 million into the nano-fabric juggernaut.

Nano-Tex has closed its first official round of funding, the company announced Tuesday, bringing its total venture investment to \$40 million.

Though the company had been profitable for two consecutive years, CEO Donn Tice and his team decided last fall to make new investments that would expand the company's footprint worldwide. Between summer 2004 and spring 2005, Nano-Tex will have quadrupled its R&D staff and doubled its investment in sales and marketing, and is also increasing revenues in Europe and Asia.

The Emeryville, California, company manufactures nanotechnology textile treatments that enhance fabrics—for example, resisting stains or preventing static. Its cus-

tomers list boasts major global apparel brands including Gap, Brooks Brothers, Levi Strauss, and Marks & Spencer. Nano-Tex has regional offices in Greensboro, Milan, Istanbul, New Delhi, Hong Kong, and Osaka.

Though Mr. Tice declined to release revenue figures, he said that Nano-Tex has had two consecutive years of 50 percent revenue growth, and a compound growth rate since inception.

While several major chemical and manufacturing businesses, including Teflon and 3M, have entered the burgeoning nano-fabrics and smart fabrics markets, Nano-Tex is the only company concentrating on the sector.

"We see ourselves as a technology company, not just an apparel company," Mr. Tice said. "We've brought new technological innovation into an old-line industry."

Nano-Tex set out last summer to raise \$25 million, but soon boosted the size of the fund to make room for sizable new investors alongside previous ones.

"We had so much interest that we didn't need to hire an external fundraiser," Mr. Tice said. "We had 21 interested parties and 11 investment bids—we were substantially oversubscribed."

First-time Nano-Tex investors include old-school technology VC firm Norwest Venture Partners of Palo Alto, California, and Chevy Chase, Maryland-based biomedical research pioneer Howard Hughes Medical Institute (HHMI). Masters Capital, Firelake Capital Management, and WL Ross, the parent company of Burlington, which led the initial 1998 Nano-Tex seed round, also reinvested in the company.

With their IT company-building expertise, Norwest is an obvious choice for Nano-Tex. Mr. Tice said that HHMI's biomedical industry knowledge will be valuable in the future, as the company begins to develop more advanced products outside the mainstream apparel area. ■