

Fast-growing Nano-Tex gets \$35M in VC

By Mark Toszczak

A company that got its startup funding from Burlington Industries seven years ago recently received \$35 million in a second round of venture capital funding, and observers say the company might go public by next February.

Nano-Tex, which makes high-tech treatments for fabrics, announced the latest round of funding March 8.

"We had 11 bids on the company out of 21 prospective investors that were really pursuing us," said CEO Donn Tice. "(We) could've taken in twice the capital we did."

Nano-Tex, based in Emeryville, Calif., was launched in 1998 with a \$5 million investment from Burlington Industries and has about 18 people in its Greensboro office, where the company runs its North American sales and marketing operation. The company has nearly 100 employees overall, in both U.S. and foreign offices.

The firm has developed special treatments that, when applied to fabrics used in everything from khaki pants to curtains, are designed to make them spill resistant, stainproof or staticproof without altering the material's look or feel. The technology is used in more than 100 apparel and home furnishings brands, including VF Corp.'s Lee and Sara Lee's Champion.

Jeff Crowe, venture partner at Palo Alto, Calif.-based Norwest Venture Partners, one of the investors in this round of funding, said in a news release that the company "is one of the few nanotechnology companies with real products, real customers and real revenues today."

Nano-Tex plans to invest the new money in geographic expansion, marketing and research and development. Some expansion likely will occur at its North Carolina operations, Tice said, though he couldn't say how much or when.

The company has been developing close ties with the N.C. State University College of Textiles. Tice said the company might base new hires in the Gate City, or might put them closer to NCSU.

IPO on the horizon?

There has been plenty of speculation in recent months by nanotech industry analysts that Nano-Tex was poised for an initial public offering in 2005.

While not denying that an IPO could be in the company's future, Tice said: "There's no specific plan to take the company public at this time." Later, he added: "When we go public is really a function of market conditions. We would have raised this round even if it were our intention to go public this year."

And going public is the company's intention, some observers say. Matthew M. Nordan, vice president of research at Lux Research, which follows nanotechnology companies, said that potential investors who had seen Nano-Tex's term sheet say an IPO is expected by the end of January 2006.

In a phone interview with The Business Journal, the company's biggest single investor, billionaire financier Wilbur Ross, said the January 2006 timing wasn't correct, but that "it's logical for a company like Nano-Tex to be public. But we have no immediate plans to do anything."

When Nano-Tex does go public, Ross will be the biggest beneficiary. He acquired a 51 percent stake in the company when he bought Burlington Industries out of bankruptcy. With the additional round of financing, which included more money from him, Ross said his ownership share is slightly below 50 percent.

The new investment should carry the company through to profitability, Ross said.

Though he declined to give out specific revenue and expense numbers, Tice said the company has been breaking even for the past couple of years and has been choosing to reinvest would-be income into product development rather than profits. ■