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RFID Co. Alien Technology Lands \$66M Series H

Morgan Hill, Calif. -- In what one investor called a "final pre-IPO round," RFID company Alien Technology Corp. has landed \$66 million in Series H financing, bringing its total capital raised since it opened business some ten years ago to more than \$200 million.

The round was led by new investor SunBridge Partners, which kicked in \$15 million. Existing investors Advanced Equities, Digital Bandwidth, Equitek Capital, Lago Ventures and Miami Valley Venture Fund also participated. Allen Miner, general partner at SunBridge Partners, takes a board seat as a result of the investment.

Officials from Morgan Hill, Calif.-based Alien Technology did not respond to requests for comment.

Alien Technology provides RFID tags and readers for customers in government, retail, manufacturing, pharmaceuticals, transportation and other industries. Alien's products are used in such applications as supply chain management, logistics and anti-counterfeiting to improve inventory management.

RFID, or radio frequency identification, is a small silicon chip attached to a small, flexible antenna creating a tag. The chip provides data storage to record and store information. A reader sends a signal to the tag, which then reflects a return radio signal containing information from its memory.

Ken Ehrhart, general partner at SunBridge Partners, pointed to Alien's longer term history as one of the reasons it raised such a late stage round. Its initial business focus was providing manufacturing assembly technology to reduce the manufacturing cost of flexible displays.

Alien Technology developed a patented manufacturing technology called Fluidic Self Assembly, which allows for the efficient placement of very large numbers of small components across a surface in a single operation.

In 1999, the company changed its name from Beckmen Display to Alien Technology when the company decided to re-focus the technology to RFID.

"We view this as a final pre-IPO round," said Ehrhart. "I think that the public markets are ready for it now. The potential is quite enormous given Alien's potential to create the lowest cost tag."

Bob Merritt, analyst at Semico Research Corp., said the RFID market has many pieces including software, hardware, databases, and the components. "By the time you get to the chips," he said, the target is to drive down the cost per piece.

But the question remains as to where the profits will go, Merritt asks, "The people who make the systems or the people who make the components?"

The big semiconductor companies seem to be shying away from making a push into the RFID market, Merritt said. "There are tremendous savings in inventory control, but does that pass back to the people who make the silicon?"

Ehrhart noted that Alien may have a fundamental advantage in the low-cost manufacturing of the tags and readers. Competitors, such as Symbol Technologies Inc., he said, have a much broader focus in RFID and mobility software and systems.

IBM Corp., on the other hand, seems to be more interested in the support side and software development around RFID, Merritt said.

This may potentially be clearing a path for Alien to dominate. "They've got the chops for it," Merritt added. "They've done a tremendous amount of heavy lifting on this."

Heavy lifting that includes a recently signed deal with Microsoft Corp., that positions Alien as one of the software giant's partners in its RFID initiatives whereby Alien reader and tag products will be supported by Microsoft's RFID technology.

This amid the backdrop of Wal-Mart Stores Inc.'s mandate for its top 100 suppliers to slap all cases of products shipped to its warehouses with RFID tags for improved inventory tracking. A similar mandate was issued by the U.S. Department of Defense to track boxes of equipment.

"What the Wal-Mart and Defense Department mandates do is force the volume," Merritt said.

In a statement, Chief Executive Stav Prodromou said, "We are continuing to invest in state-of-the-art high-volume manufacturing capabilities, advanced product development, expanded customer solution services and facilities, and broadened market reach, including acquisitions."

One such recent acquisition was Quatrotec, which provides design and implementation expertise in areas such as airport security systems, baggage handling systems, passenger services and terminal operations.

Alien Technology said it bought the company - for an undisclosed amount - in a strategic step into the transportation market and to expand its reach into air, sea, ground and homeland security-related RFID applications.

Other investors in Alien Technology include Sevin Rosen Funds, Rho Ventures, New Enterprise Associates, Adams Street Partners and CMEA Ventures.

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