

## **A \$20M Seed Round**

*By Erik Siemers, Portland Business Journal*

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Soil additive company Absorbent Technologies nears major funding Portland Business Journal - by Erik Siemers Business Journal staff writer Absorbent Technologies Inc. is on the verge of closing a \$20 million round of financing as demand for its sponge-like soil additive is starting to surge.

The Beaverton-based company makes Zeba, a corn starch-based polymer that helps farmers grow bigger crops with less water.

Placed near a plant's roots, Zeba serves as a Grape Nut-sized sponge that holds and distributes water as a plant needs it. The biodegradable product improves the quality and production of a crop with about 10 percent less water.

Sales of Zeba last year jumped 22 percent to about \$6 million, but the company fell just shy of profitability. This year, the company's fortunes are expected to change.

In the next two months it expects to close a \$20 million round of investment led by international investors. The company declined to reveal the names of the investors.

The money will be used to finish construction of its second manufacturing plant in Albany as well as spur international expansion the next five years.

The new round of financing comes at a time when orders for Zeba far outpace the company's ability to produce it, said CEO and founder Milan Savich.

Absorbent expects revenue to grow past \$16 million this year. The company should finally turn a profit by the fourth quarter. Its work force is expected to grow from 65 — two-thirds of which work in Albany — to nearly 100.

The company's biggest customers are large corporate farmers and major agricultural distributors such as Idaho-based J.R. Simplot Co. and San Francisco-based Wilbur-Ellis Co.

Last year the company also began generating revenue through a 2008 licensing agreement with Scotts-Miracle-Gro Co., the world's largest maker of consumer lawn and garden products with more than \$3 billion in revenue.

Scotts last year began selling retail grass seed coated with Zeba in products labeled "Water Smart."

After Absorbent expands its production capacity, Scotts intends to expand the licensing deal globally.

The growing demand for Zeba outpaces the capacity of its single, 6,000-square-foot production plant in Albany. The plant produces 1 million pounds of product per year.

The company is expected to complete a new 50,000-square-foot plant in Albany, a nearly \$15 million investment that will be capable of producing up to 40 million pounds per year once fully operating.

Over the next five years, Absorbent plans to open four plants worldwide, giving it more than 100 million pounds of production capacity. The international growth will start through a manufacturing partner in South Africa, followed by a company-owned plant expected in Brazil. Later plants are planned for somewhere in Europe and the Middle East, Savich said.

By 2014 the company expects revenue to climb past \$100 million with strong profit margins.

Savich's research began in 1994 alongside William Doane, who first developed the science behind Zeba years earlier while working with the U.S. Department of Agriculture in Peoria, Ill.

It took nine years of development before Savich had a product to take to the market.

"It took years to get growers with years and years of the same production (methods) to adopt us," he said. "It's taken more time than we expected for them to understand how the process could benefit them."

By comparison, the company has had an easier time convincing investors.

The latest \$20 million round of capital follows \$30 million raised through previous rounds generated from a hodge-podge of 340 individual investors.

Among the previous investors was Fluffco LLC, a Portland-based investment firm controlled by local entrepreneur Irving Levin that invests in operating companies.

Levin said Fluffco leased equipment for Absorbent's current factory and financed receivables. He didn't disclose the size of Fluffco's investment, other than saying "it's in the millions."

"It's hard not to love the technology," Levin said. "It has profitable and altruistic aspects to it that, blended, make it something that's a nice combination."

Such sentiment has been rare from venture capitalists pitched with investment opportunities tied to agribusiness, said Dean Cavey, managing partner of Verdant Partners, a Champaign, Ill.-based agriculture industry brokerage and consulting firm.

“If we had been having this conversation six or seven years ago and we were talking about a financing involving an agricultural-based company, it would have been a short conversation,” Cavey said.

The landscape, however, has evolved thanks largely to the rapid development of agricultural technologies. Products using seed coatings are one area that is gaining momentum in the market, he said.

Savich hopes the agricultural sector is just one market for Zeba.

The new investment will also be used to develop Zeba for industrial uses, including as a fire retardant, a wound dressing, or an eco-friendly way to clean-up oil spills.