

# SilkRoad technologies lands \$40M in venture funds

By **MATT EVANS** THE BUSINESS JOURNAL

**WINSTON-SALEM** — SilkRoad technology, a fast-growing firm that makes cloud-based human resources software, has landed \$40 million in new venture capital, a haul that takes the company above \$100 million raised in the past three years.

The firm, which is part of the portfolio of serial entrepreneur Andrew “Flip” Filipowski’s SilkRoad Equity venture fund, has its largest office in Winston-Salem and is expecting to add to the 100 employees already there, according to company officials. SilkRoad technology’s formal headquarters address was recently moved to Chicago, along with that of Interact Public Safety Systems, another of Filipowski’s tech firms with a large presence in the Triad.

SilkRoad technology develops talent management products for everything from recruiting to performance evaluation and intranet content, using the cloud-based software-as-a-service model where the programs are hosted off-site and delivered over the internet, as opposed to sitting on company-owned computer serv-

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**Andrew 'Flip' Filipowski**

ers. SilkRoad does not report detailed financial information, but it claims 1,500 customers in more than 50 countries, including 62 Fortune 500 companies.

The latest venture infusion for SilkRoad technology comes from five funds led by two new investors: Intel Capital and Tenaya Capital, according to Chief Operating Officer Brian Platz. More

money was pitched in by three existing investors including SilkRoad Equity, Azure Capital and Foundation Capital.

“We continue to grow very quickly as a company, and this allows us to make sure that we have the fuel to continue that growth in coming years,” Platz said. “Not just domestically but internationally, which can be quite costly to do right.”

A significant portion of that growth will likely take place in Winston-Salem, Platz said, because the city still hosts the company’s largest office where employees perform a wide variety of tasks, from product development to finance and back office functions.

That office, which is located downtown on Third Street, has grown from around 80 employees to about 100 over the past year, he said, and will likely grow further, though he had no specific targets. SilkRoad technology has a total of 250 employees worldwide.

“We’ll be hiring more resources scattered throughout the globe, but proportionally we’ll probably be hiring more in Winston-Salem than anywhere,” he said.

Platz characterized the new Chicago headquarters as “relatively small,” and other company officials have said that office is meant for use by a few Chicago-based executives, including Filipowski who spends a significant amount of time there.

## IPO still possible

The latest investment comes on top of two previous rounds of announced venture investment for SilkRoad technology, both coming in 2008 before the crash of the financial markets late in that year.

In February 2008, SilkRoad announced a \$10 million investment that included Azure Capital and others, and in May followed with a \$54 million round that included both Azure and Foundation Capital.

At that time, Filipowski told *The Business Journal* he was anticipating an initial public offering for the company soon, but those plans were shelved as the economy tanked. Platz said being



publicly traded is still the expected exit strategy for SilkRoad technology and its investors, though.

“Right now our focus is getting ready for an IPO,” Platz said, though other scenarios including continued independent growth or an acquisition are also possibilities.

The work force development software industry includes a number of larger companies that are already publicly traded, such as Taleo and Kenexa. That sector has seen a wave of consolidations recently, according to the most recent Software Industry Equity Report from California-based investment banking firm Software Equity Group.

According to that report, there were seven merger-and-acquisition transactions in the work force management software-as-a-service, or “SaaS” sector, in just the third quarter of this year including, for example, the \$125 million buyout of Learn.com by Taleo.

That’s a sizeable portion of the 36 total SaaS companies in all sectors that were acquired in the quarter, “signaling rapid consolidation” for work force management firms, the report said.

### What’s missing

The new round of investment for SilkRoad technology is a sign of real confidence in both the work force management sector and the company itself, said Ken Bender, managing director of Software Equity Group in San Diego, Calif. It’s also somewhat surprising, given the slow pace of hiring and IT spending by companies these days, he

## SILKROAD TECHNOLOGY

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added.

“It’s a product category that has seen widespread market adoption and has turned very mainstream, so you’d expect growth rates to decline even in good times,” Bender said. “What you have here is a bet that (the product category) remains vibrant and will rebound when the economy rebounds. That remains to be seen, but \$40 million is a heavy bet.”

But Bender noted that there have been a number of well-received software company IPOs recently, including six in the third quarter, so the fact that SilkRoad technology chose another round of private investment may indicate its financial performance is not yet up to par for a public offering.

SilkRoad technology regularly reports record quarters in terms of revenues and new clients and claims 29 straight quarters of sales growth, but it does not release detailed financials or indicate its profitability. The company will have to detail all its finances if it chooses to go public.

Bender said private investors are eager to see returns and so are likely pushing for that IPO as soon as possible. Thus, he speculated, sustainable profits are probably the piece of the puzzle that is still missing.

“That would make them not a good IPO candidate in the current market,” Bender said, “but it’s obvious they have investors who believe in their story.”

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