

SkyBitz Tracks an \$18M Financing Round

What do you get when you combine a trucker with a rocket scientist?

That may have a number of answers with various levels of indelicacy and poor humor, but according to **Chris Farmer**, vice president of business development at **SkyBitz**, those are the ingredients that created the strange mix of people on board with the logistics technology company he evangelizes.

After emerging from stealth mode last month, SkyBitz announced a new \$18 million venture financing round last week. **AIG Highstar Capital LP**, a transportation-focused investment vehicle, and **Industrial Technology Ventures (ITV)**, which like the name suggests focuses on technologies applied to established industries, led the round.

This is actually the company's third

round of funding. Farmer's former employer, **Zero Gravity Venture Partners**, funneled the company a \$4 million Series A round in 2000.

Friends and family kicked in another \$6 million in a round that converted into a Series B1 preferred stock round. Last week's round was a Series B, and it still has room for another \$2 million infusion.

SkyBitz has developed a cargo-tracking technology they call Global

Locating System (GLS), and while it may sound similar to another well-known technology, it has a fundamental difference.

“Over the past couple years,” says **Carl Ryden**, principal at ITV, “we have seen about 30 business plans that basically take a GPS [global positioning system], duct-tape it to a satellite radio and call it a solution. We have looked at those and passed. This is really elegant. These guys have started with a blank piece of paper and designed a system.”

The difference is in the data processing. With a traditional GPS system, the mobile unit does all the thinking to figure where it is, but SkyBitz has taken the complex computation out of the mobile unit and housed it in a central

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data center — a characteristic designed into the system by the engineers from day one.

According to Farmer, this characteristic gives the units several advantages. First, this makes the mobile units cheaper, because they are less complex. More importantly, it dramatically reduces their power consumption, allowing them to run for several years on “AA” batteries, and as a result, the units are more mobile and easier to install, because they don’t have to be hard-wired to a power source.

“A lot of VCs don’t like investing in transportation,” Farmer says. He says VCs are concerned about dealing with unions, the extremely rough conditions

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faced by transportation hardware and a culture that purchases technology differently than other industries.

However, Highstar is funded by several large insurance companies, like its sponsor AIG, and capital equipment lessors, like GE Capital, that commonly deal with the transportation industry. For its part, ITV was established as a joint venture between AIG and Atlanta-based **Cordova Ventures** to focus on just this type of technology.

While trucking is SkyBitz' primary

focus now, the technology had its start with a DARPA grant. The government funded some rocket scientists to develop a system to track satellites, and when they were done, ITV's Ryden says the engineers used the same technology and algorithms to reverse the process and track objects on Earth.

SkyBitz' Farmer says the company has won a formally-unannounced, significant government contract to work on tracking inbound marine shipments. SkyBitz is also working with labs to add sensors to the mobile units. The company already sells units that can monitor humidity and temperature elements in refrigerated trucks.

Costs for the mobile units start at

\$375, and Farmer hopes to get prices down to \$100 in volume. Monthly air-time subscriptions to the service — where the company hopes to really make its money — start at \$7.50. Ryden says the company needs to sign up 50,000 trailers to break-even, and it already has purchase orders and letters of intent associated with more trailers than that.

Farmer says he expects SkyBitz to recognize \$2 million of revenue this year, and between \$30 million and \$40 million in 2003. He did not disclose the valuation of the round or the company's burn rate. However, he says he expects SkyBitz to breakeven in the third quarter of 2003. —C.R.F.