

Warburg adds another \$10M to TradeCard

by Vyvyan Tenorio

VENTURE CAPITAL Boasting of a hefty rise in customers, **TradeCard Inc.**, a New York provider of financial supply chain software and services, got a nod of approval from majority owner **Warburg Pincus** for an additional \$10 million Series D expansion round, to be announced today.

The New York private equity firm, which owns roughly 75% of the company, contributed the entire \$10 million. The round, however, remains open as a rights offering to all existing investors, explained TradeCard chairman and chief executive Kurt Cavano, who hopes to net another \$1 million in another week from the startup's minority shareholders.

The undisclosed valuation was "about flat" from the previous price for a \$25.5 million round in September 2001, Cavano said. "This is not a washout round for those that don't participate," but there is a 15% dilution for non-participants, he added.

Some of the startup's earlier investors, however, have either opted out of the latest round or are expected to contribute only token amounts of new capital. **Softbank Corp.**, which has scaled back its venture activities significantly, is not expected to join in.

Strategic investors **Mitsui Corp.** and **Mitsubishi Corp.**, both of which have a sales and marketing joint venture with TradeCard that began after last year, are putting up small amounts to step up their investments. Other investors include **Marsh McLennan Companies Inc.** of New York, which also serves

as TradeCard's broker of cargo insurance, and the **World Trade Centers Association**.

Total financing to date is just under \$80 million, the bulk of which has come from Warburg. The company used in-house counsel for the most part, but relied on Warburg's New York counsel, **Willkie, Farr & Gallagher's** Maurice Lefkourt, for documentation assistance.

After more than doubling customers for its Web-based fulfillment and settlement services platform to nearly 600 from last year, the company and Warburg Pincus believe it's on track to ramp up worldwide sales and marketing with the new capital.

"We're at a point when we've proved that we have a product that works and satisfied complete customer needs," said Cary Davis, a Warburg partner who sits on TradeCard's board. "We believe now's the time to step on the accelerator."

Unlike other providers, including banks such as **Citigroup Inc.** and **ABN Amro NV**, TradeCard offers an open and independent platform that is accessible to subscribers. The platform comprises a suite of financial settlement products involving complex domestic and international financial transactions.

"For Citigroup and other banks to do what TradeCard does, they need to have both sellers and buyers represented to make it work," said Davis. "We don't think that model is viable for international trade."

Still, the startup faces serious competition in its chosen niche, says John Hagerty, vice president at Boston's **AMR Research**. Trade-

Card in the last two years, he explains, "has transitioned from a software project to a full-service, financial supply chain service," with a network of logistics providers.

Other potential rivals, such as **Avolent Inc.** of San Francisco, **eDocs** of Natick, Mass., Toronto-based **Proponix** and Pleasanton, Calif.'s **Xign Corp.**, focus on certain aspects, including bill presentment and letters of credit software. Business-to-business software giants **SAP AG** and **PeopleSoft Inc.** also offer similar products, but none of these companies provide all the information and logistics network leading up to the decision to pay, said Hagerty.

TradeCard plans to continue building up revenue—now growing at at 15% to 20% clip a month—and getting to cash-flow breakeven point, Cavano said. The transaction processing volume is now up to \$500 million, from just under \$100 million last year, he added.

International Playthings Inc., of Parsippany, N.J., **Wolverine Worldwide**, the Rockport, Mich.-maker of Hush Puppies footwear, and **SK Global**, a South Korean trading conglomerate, are among its major customers.

Hagerty believes that TradeCard's market sector will eventually become a big area where customers can show the cost benefits over the old way of faxes, e-mails and phone calls. But he warned: "There's a chicken and egg situation because trading groups tend to wait and see whether their partners join in before signing up."

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