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Software-maker raises \$40M

Ryan Allis has a goal. He wants to build a global company based in the Triangle with thousands of employees.

This morning, his rapidly expanding e-mail marketing company iContact will announce it has raised \$40 million in venture financing, putting Allis another step closer to that goal.

It's an impressive amount for a 7-year-old company and will be used to hire hundreds of new workers during the next three years.

"We've got an opportunity to do something in the Triangle that doesn't happen all that often," said Allis, who turned 26 this month. "I'd love to have iContact based here 25 years from now, to be the next Red Hat," referring to the publicly traded Raleigh software company.

iContact, which Allis and chairman Aaron Houghton founded in 2003 at UNC-Chapel Hill, now employs 220 people. It has quickly gained attention for its quirky corporate culture, which harkens back to the dot-com boom or large Silicon Valley employers, with Nerf gun fights in the office and perks such as free car washes and monthly massages.

Officials announced in April that iContact will move from Durham to a larger space in Morrisville. Those offices, in a building that's part of Lenovo's campus, can hold as many as 550 employees.

Allis said iContact continues to hire, and he expects to reach that level by 2014. He also predicts that the company will be ready for an initial public offering of stock when annual revenue doubles to \$80 million, which he expects will happen in about two years.

Businesses, nonprofits and other customers use iContact's e-mail marketing software and services to send notices to their customers.

The \$40 million investment is one of the largest venture hauls this year for a company based in the Triangle. This region is home to dozens of small tech and biotech companies that rely on venture funding to pay for expansion.

iContact will use some of the financing to open a European office later this year, and one in Asia next year.

"We raised a bit more than we might need today," Allis said. "We wanted some dry powder to expand globally."

Earlier this year, Allis hired New York investment bank Allen & Co. to help it attract large investors. In March, Allis and other iContact officials traveled to San Francisco, Boston and Washington to meet with about 25 venture-capital firms.

They picked JMI Equity of Baltimore, a company that previously has backed other technology

marketing companies, such as DoubleClick and Unica. As part of the investment, JMI general partner Brad Woloson and JMI principal Jit Sinha will join iContact's board of directors.

Spirit of giving back

On Thursday, Allis and other iContact board members had a celebratory dinner with JMI officials at Top of the Hill restaurant in Chapel Hill, just across the street from the company's first small office. And next month, iContact has scheduled a party with a hot-air balloon, bouncy slides, bluegrass music and barbecue.

"We put a lot of focus on being a community-based organization, and we look forward to celebrating with the community," Allis said.

iContact previously raised \$13.3 million in venture financing, including an initial investment from N.C. IDEA Fund Partners of Durham. Many of those types of investments don't turn into big payoffs, said Merrette Moore, IDEA's venture partner.

"The best deals are the ones where you get a good feeling about the team," he added. "We were blown away with Ryan and Aaron. Ryan has what it takes to get to whatever level they want to get to. His vision and cult of personality are a big part of that."

Two years ago, Allis published a book about his early entrepreneurial efforts at iContact, "Zero to One Million." He donated proceeds from book sales to The Humanity Campaign, a nonprofit organization that he founded.

That spirit of giving back carries over to iContact's culture.

On the fun side, it includes employee perks such as bagel Mondays, karaoke lunches, free sodas and free car washes. iContact recently added free, monthly on-site massages.

In addition, iContact contributes 1 percent of revenue to local nonprofits and 1 percent of its employees' time to community service. Every employee gets 2-1/2 extra days off a year to volunteer.

"We're making a lot of investments in the company culture, and maximizing long-term profits by creating a creative, engaged and motivated work force," Allis said. "As we become a higher-profile company in this area, it's getting easier to recruit great people."

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