

TECH INDUSTRY

Hitting reset, Austin's RF Code grows as data center manager

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Mitch Medford is the chief executive officer of Austin's RF Code. The tech industry veteran had worked at IBM Corp.'s Tivoli Systems in Austin and then was chief technology officer at Netbotz Inc.

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As venture capitalists are quick to point out, not every investment in a young company turns into an instant bonanza. Some startups fizzle out quickly, while others can waste years and buckets of money pursuing the wrong business plan with the wrong product. Occasionally, startups can



Austin's RF Code makes the hardware and software for wireless sensor networks that monitor humidity and temperature inside big data centers and then send alerts when trouble spots show up. The modules on the left receive signals from a router.



centers and then send alerts when trouble spots show up. Its technology also is being applied to other markets, including health care.

After years of struggle, the company has solid revenue — an estimated \$18 million last year — strong growth, profitability and strong interest from some of the biggest players in the data center industry. Gartner Group, a technology consultant, has named the Austin company as a “cool vendor” in the field of data center management.

“Oftentimes the overnight successes are 10 years in the making when you look under the covers,” said Jason Sydow, a partner with QuestMark Partners in Baltimore, which is a long-time investor. Sydow gives RF Code CEO Mitch Medford and his team credit for the turnaround.

The company was nearly comatose in late 2006 when investors called in Medford as a consultant. Its operations were split between Phoenix and Las Vegas. Workers were dispirited. But it had a promising kernel of technology that attracted Medford.

Medford, now 52, is a tech industry veteran who worked at IBM

Corp.'s Tivoli Systems in Austin and then was chief technology officer at Netbotz Inc., an Austin startup that made data center monitoring equipment and was sold in 2005.

The predecessor to RF Code made asset-tracking technology for retailers without much success. Medford took one look and decided that much of its future lay in data center monitoring.

“The investors wanted a recommendation from me on whether to fund the company or to sell it,” Medford recalled. “When I saw the company, the dots connected in my head” about how to apply its basic technology to fix pressing data center monitoring challenges.

“I had goosebumps about it,” he recalled recently. “I said lets bring them on and get this thing going.”

His basic recommendation was to shut down the existing business, write off the \$47 million that had been invested in it and then reform the company around a new business plan with a new team and move it to Austin.

The reformed company raised \$25 million and rebuilt the business by finding new ways to enhance and expand its basic technology called active radio frequency identification, or RFID.

It developed smart, battery-powered “tags” that can identify assets such as computer equipment or couple with environmental sensors that can monitor temperature, humidity and air pressure. The tags transmit wireless signals to nearby reader devices that, in turn, report back to a central monitoring dashboard. A big data center can have thousands of tags that are sending reports every 10 seconds or so. That resulting stream of data can be analyzed to find potential problem spots in the data center or to fine-tune the data center operations to reduce power consumption.

It's a big deal because big data centers are enormous power users. With the right monitoring system, power costs can be cut without sacrificing performance, the company says.

Medford recruited the key players from his Netbotz team to solve the hardware and software challenges of building a monitoring system with a continuous flow of data. Its software and data systems inter-operate with a wide range of data-center management software applications.

Technology development took time and so did developing trusted relationships with important players in the data center industry, including IBM Corp., Hewlett-Packard Co., Savvis Inc. and CA Technologies. A few of those big customers are integrating RF Code's system with their products and reselling it to customers. Those partner relationships give the relatively small company — just 55 employees — plenty of additional reach to customers.

Now the challenge, Medford said, is to keep building on the company's good start by using retained profits and not a new round of investment. That might be a more gradual path to growth, but it is also a more lucrative one for existing investors and management. A new investment round now would dilute their present equity stake in the company.

Medford's stated goal is to build relationships with 100 customers that are projected to buy at least \$1 million worth of technology and services from RF Code over time.

"That gives you a really good customer base," Medford said. "We call it the 101 plan. We are nowhere near 100 of those customers, but we are going to get there."

That kind of customer base would make the company far more valuable when the "exit" comes. That exit might be a public stock offering, but it is more likely to be the sale of the company to a larger player in information technology.

“We all have our minds set on this being an exit that would make big news,” Medford said. “We are looking for something substantial.”

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