

Their 2ndWave Software is riding high

By DICK YOUNGBLOOD
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Talk is cheap out there in Businessland, so there might have been a few skeptics when your Newspaper of the Metropolitan Mosquito Control District reported in March that Chris Heim and Dan Mayleben were starting a company to acquire and grow smaller, high-potential software businesses.

There were two reasons why there should have been no doubts about the success of their new company, Eden Prairie-based 2ndWave Software.

One was Heim's splendid growth record as CEO of an outfit called HighJump Software, a saga recounted in this space four years ago. That positioned him as 2ndWave's operations guru.

The other was Mayleben's long experience as CFO for local software developers, including HighJump, which makes him a key player in evaluating prospective acquisitions and financing their expansion.

The record so far supports my optimism: In March, 2ndWave snapped up Amcom Software Inc., a 25-year-old Edina outfit that grossed \$12 million in 2006 selling systems that automate communications centers for corporations and medical complexes.

Despite Amcom's relatively flat revenue for the five preceding years, Heim and Mayleben hoisted its 2007 sales more than 30 percent, to an estimated \$16 million.

That was just the start. In November they added \$12 million in annual revenues with the acquisition of New York-based Xtend Communications Corp.

2NDWAVE SOFTWARE

Business: Acquiring and growing high-potential software businesses for a large investment firm in Boston.

Founded: January 2007

Headquarters: Eden Prairie

Website: www.2ndwavesoftware.com

Executives: Founders Chris Heim and Dan Mayleben

Employees: 160

2007 revenue: \$28 million (total revenue of two companies acquired during the year)

Xtend is Amcom's top competitor in the call-center market and a developer of software for 911 systems. More to the point, Heim is confident that they can boost Xtend's sales as quickly and as significantly as they did Amcom's.

A third acquisition completed last week added a Twin Cities operation with \$2 million in revenue from the sale of 911 software that allows operators to pinpoint a caller's precise location in a large office building or on a university campus. The newcomer is Telident, a Columbia Heights division of a Florida software company, Teltronics Inc.

Heim sees even greater growth potential with this acquisition: "The software is very much aligned with what Amcom and Xtend clients are interested in," he said, which offers a built-in opportunity for a fast start.

2ndWave is being bankrolled to the melodious tune of \$100 million by Boston-based CIBC Capital Corp., an investment company focused on the software industry. In fact, the U.S. subsidiary of the Canadian Imperial Bank of Commerce actually recruited Heim and Mayleben to organize 2nd Wave.

For good reason. Heim, now 43, was 27 in 1991 when HighJump moved him from programming to marketing and put him in charge of diversification. At the time the Eden Prairie company was grossing about \$4 million a year from the sale of bar-code data collection systems that tracked costs and inventory positions in manufacturing plants.

Heim moved the bar-code technology into the warehouse with software that directed workers through their daily receiving, storage and shipping activities. That doubled sales to \$8 million by 1997, when he was named president and CEO.

In 2004, with sales headed for \$40 million, he sold HighJump to 3M for \$90 million and signed on as general manager of the business. In the next two years he built HighJump's sales to \$50 million and added another \$30 million with two acquisitions.

Then, in mid-2006 he got a call from Mayleben, who has labored as CFO for three local software companies. At the time he was working for one of CIBC's acquisitions, which is why he was contacted by one



Chris Heim, left, and Dan Mayleben started 2ndWave Software of Eden Prairie.

of the investment company's officers with an exceedingly attractive proposition.

Aware of his and Heim's records, CIBC was offering to fund 2ndWaveSoftware if the two of them would take command of the company's acquisition strategy. It was an irresistible opportunity.

The Amcom acquisition demonstrated their deft touch: Their first move was to poll employees to identify problems and opportunities, and they quickly discovered that the No. 1 need was a more organized and focused training program. They also opened the company books to the employees and offered them stock options while boosting the marketing budget by 25 percent.

The payoff is continued growth in 2008, when Heim and Mayleben expect Amcom sales to climb another 25 percent, to about \$20 million. Meanwhile, they're applying their growth tactics to Xtend Communications, which they expect to grow 30 percent this year, to about \$15.6 million.

In all, Heim and Mayleben expect the 2008 gross to reach \$45 million to \$50 million with the addition of several of what Heim called "very specific acquisition targets."

Given the track record, who's to scoff?

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