

Vette goes two-for-two with funding, acquisition

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Just three months after it raised its first, \$9.4 million round of funding ("N.H.-based Vette revs up roll-up strategy," Mass High Tech, Aug. 2-8, 2004) Manchester, N.H.-based Vette Corp. found a new investor to lead a second round worth \$15 million.

With the proceeds from the latest round, Vette made its second acquisition of the year, a 1,200-employee heat sink and ceramic plate manufacturer called Shun Fu Metal Products based in Kowloon, China.

Today, Vette has about 2,000 employees, 12 of which are in its New Hampshire headquarters.

3i, a United Kingdom-based investment company whose East Coast venture capital headquarters is in Waltham, led the new round, joining first-round investors Kodiak Venture Partners in Waltham and General Catalyst Partners in Cambridge.

Vette is a roll-up, a company created to acquire other companies and fuse them into a dominant one-stop shop for manufacturers looking for ways to cool off overheated electronics in everything from computers to cars to refrigerators.

The company plans to pay anywhere from \$2 million to tens of millions for each acquisition.

The electronics heating management market is large, with some analysts pegging it at more than \$4 billion. But the industry is fragmented, with a large number of small to mid-sized companies making different components.

Similar to the second round, in the first round Vette also closed an acquisition immediately following the financing.

Vette's first purchase was Eumax, a Taiwanese company that designs fans and heat sinks, which it manufactures in China.

Chief executive George Dannecker wouldn't reveal specifics of the deals, though each was a combination of stock and cash.

"When we did the series A," Dannecker said, "we knew we wanted to do these two acquisitions and knew we'd do back-to-back fund raising. We were under letter of intent for the second when we closed on the first."

These two acquisitions create a base for Vette, Dannecker said: Eumax has the design capability while Shun Fu provides manufacturing.

Dannecker expects to wait at least six months before buying another company; he wants to ramp up Vette's global sales team and make sure that Eumax and Shun Fu integrate properly.

But after that hiatus, Vette will be back at the market, and this time it won't necessarily be

looking for Asian operations.

“We want to find some localized manufacturing to front-end the manufacturing we have in China — some smaller facilities that can do prototyping and early volume ramp,” Dannecker said. “We’re also looking for new technology acquisitions, and that technology is being developed here and in Europe.”

That was one of the reasons Vette chose to go with 3i for the lead this time around — its global presence could give Vette leads on early-stage thermal tech companies worldwide.

“It’s an unusual play for the venture community,” Dannecker said. “Usually they go for new technologies or a new marketplace. We’re neither of those.”