

SEI Chemical Targets DIY Market Aerosol Version of Anti-graffiti Coating

Los Angeles Business Journal

For Ross Sklar, graffiti is a problem at the molecular level. His company, SEI Chemical in Vernon, makes coatings that thwart would-be vandals before they can apply their spray paint. SEI's first anti-graffiti coating was aimed for the industrial and government markets. It worked by preventing paint from adhering, so the spray would leave only streaky drips. The product, still a major driver of SEI's revenues, sells for \$300 per gallon. But this month, SEI is launching a coating for the do-it-yourself market. The product comes in an aerosol can and is called Anti-Graffiti Barrier Coating. It sells for \$9.99, a price that represents a major victory since Home Depot sets strict limits on retail prices. "We have broken through some cost barriers," said Sklar. "Being able to hit the price points, from raw materials through the whole logistical supply chain, required a lot of pieces to fall into place." The product doesn't allow paint to sink into the surface, permitting easy removal. "You don't need caustic chemicals, you don't need pressure washers," said Sklar. "An assistant principal at a school can wipe it off with a paper towel. It takes zero elbow grease." Sklar first sold Home Depot on the technology and then strategically licensed the technology to the \$800 million dollar Rust-Oleum Corporation owned by RPM Corporation. The decision to sell his innovation through home improvement stores comes as graffiti is growing more prevalent in middle-class neighborhoods where do-it-yourselfers typically live. "It's just not gangs anymore. High-end, middle-class kids and so-called art taggers do it now," said Don Baker, president of Seal-It International, a chain of waterproofing and graffiti removal dealerships and a major wholesale customer of SEI. Baker said that until recently, the best graffiti deterrent was removal by either repainting or sandblasting. But those solutions have drawbacks: They can either damage the surface or look worse than the graffiti. "It was just a matter of time before someone started selling this type of product, but the problem was finding an anti-graffiti coating that actually works," Baker said. He found SEI's to be the most effective among the rare competitors. For SEI, the jump from industrial supplier to retail brand ties in with an overall strategy.

"We are chemical formulators, an R&D company first and foremost," Sklar said. "There is a strategic plan to get into Wal-Mart and other stores, to grow this product under the Rust-Oleum brand to a global scale. It's the kind of relationship that allows us residual royalty revenues that we can plow back into R&D."

Partnering with Rust-Oleum offered a practical way for a small company to get into stores. In other sectors, a pure research and development company like SEI might not last long, but the cyclical chemical industry is not in an R&D mode.

"There's an old saying: At times it's cheaper to drill for oil on Wall Street than in the sands of the desert," Jones said. "In other words, it's easier to buy an oil company with proven reserves than to drill holes that may come up dry. In chemicals, the tendency is to buy companies with proven technology."

Sklar first got interested in the coating field when he was a student at the University of Manitoba. During a feasibility project, he came across a small company with an anti-corrosion coating. He started a company to sell the coating at wholesale in Canada. He grew the revenues to \$800,000 and then sold his venture. About the same time, Sklar heard about the construction of the Alameda Corridor in Los Angeles. The 20-mile-long railway had concrete walls along both sides and plans called for an anti-graffiti covering. Sklar formulated a chemical that both hardened the concrete and protected the final surface from graffiti. He won the contract, and profits from the deal provided capital for SEI Chemical. So far, SEI has concentrated on developing its intellectual property library, with patents for coatings that kill mold, waterproof concrete, resist corrosion and hinder graffiti. All SEI products have an environmental selling angle, such as being water soluble instead of requiring solvents. The anti-mold coatings destroy microbes by attracting them with electric charges and then impaling them on tiny hair-like projections. This avoids the use of dangerous toxins. Sklar also wants to expand SEI through acquisitions. He recently purchased a janitorial chemical manufacturer and a small tech company in Canada. He plans on at least two more acquisitions in the next three years. Meanwhile, the steady income from Anti-Graffiti Barrier Coating should bankroll continued R&D in the lab. For his next big innovation, Sklar wants to find an environmentally friendly way to reduce energy consumption with what he calls "alternative energy coatings."



Page 18: SEI Chemical's Ross Sklar holds a can of his Anti-Graffiti Barrier Coating.