

# Venture Capital M&A Quarterly

**3<sup>rd</sup> Quarter, 2011 – United States**

M&A Activity for:

## **Venture Capital-Backed Technology Companies**

Publisher: [VentureDeal](#)

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## Biotechnology • Pharmaceutical • Medical Devices

- Summary** Biotechnology, Pharmaceutical and Medical Device venture capital-backed M&A activity increased in number of transactions by 433%, with 13 companies acquired during the third quarter versus 3 companies acquired in the second quarter, 2011. Nine of 13 transactions had disclosed amounts, totaling \$1.6 billion.
- Biotechnology** Four venture capital-backed Biotechnology companies were acquired during the quarter. Poway, California-based [Nexus Biosystems](#) was acquired by [Brooks Automation](#) (NASDAQ: BRKS) for a net cash purchase price of \$79 million plus \$6.7 million for the value of unrestricted cash held by Nexus at closing. Nexus has been developing and selling automation related technologies for life sciences and agrochemical applications worldwide.
- [Vicept Therapeutics](#) was acquired by eye care company [Allergan](#) for \$275 million. The compensation was composed of \$75 million in upfront cash and up to \$200 million in milestone earn outs. Vicept has been developing topically applied therapy for the erythema of rosacea and other disorders characterized by redness or flushing of the skin.
- Pharmaceutical** Only one pharmaceutical company changed hands this quarter, the same as in the previous quarter.
- San Diego, California-based [Amira Pharmaceuticals](#) was acquired by [Bristol-Myers Squibb](#) (NYSE: BMY) for \$475 million, consisting of \$325 million upfront cash and potential additional milestone payments of up to \$150 million cash. Amira was developing treatments in the field of inflammatory diseases and was backed by an international syndicate of well-known venture capital firms, including [Versant Ventures](#).
- Medical Devices** There were 8 publicized venture capital-backed Medical Device companies acquired during the quarter.
- Medical device giant [Medtronic](#) was very active during the quarter, with two acquisitions in the surgical field. It acquired [Salient Surgical](#) for \$480 million net new compensation. Medtronic was a previous

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minority investor in the company which develops devices that reduce surgical blood loss.

Medtronic also acquired [PEAK Surgical](#), for \$105 million net new compensation. PEAK was developing what it termed "a novel electro-surgical instrumentation." Medtronic was a previous minority investor in the company as well.

Table 1

**Venture Capital M&A Activity – 3<sup>rd</sup> Quarter 2011**  
 Biotechnology • Pharmaceutical • Medical Devices

<b>Industry Sector</b>	<b>Number of Transactions</b>	<b>% Change vs. Prior Quarter</b>	<b>Disclosed Transaction Amounts</b> (9 of 13 Deals)
Biotechnology	4	+ 100%	\$377 million
Pharmaceutical	1	--	\$475 million
Medical Devices	8	+ 800%	\$795 million
<b>Total</b>	<b>13</b>	<b>+ 433%</b>	<b>\$1.6 billion</b>

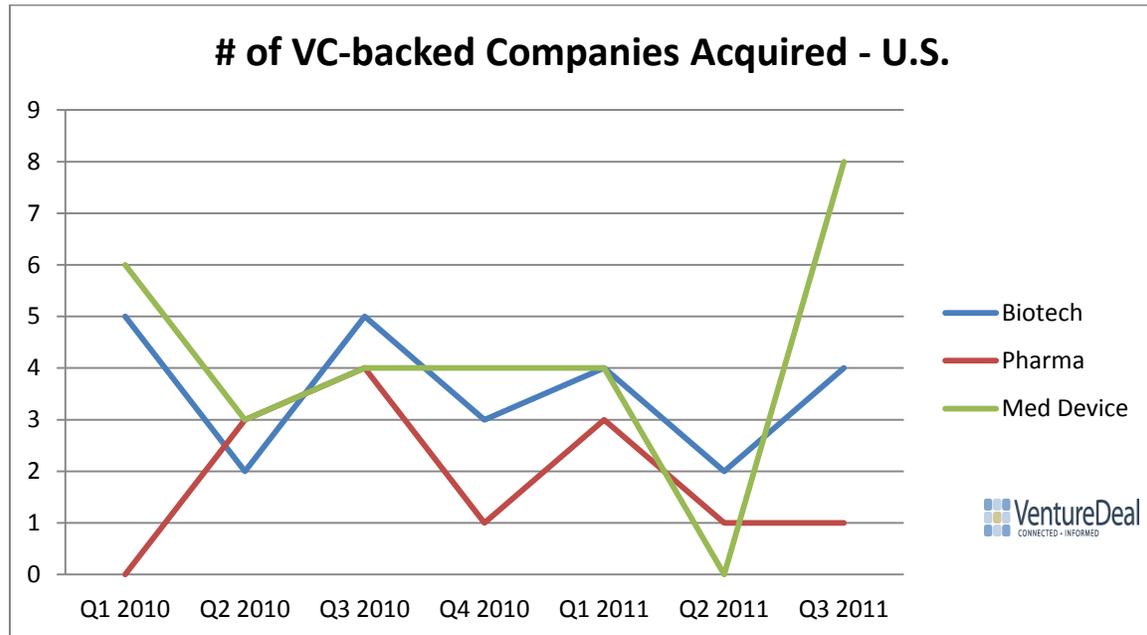
Chart 1 - Located on Next Page

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Chart 1

### Venture Capital M&A Activity: Q1 10 – Q3 11

Biotechnology • Pharmaceutical • Medical Devices



### Internet • Digital Media • eCommerce • Software

**Summary** Sector M&A activity increased by 35%, with 46 companies purchased during the quarter versus 34 in the previous quarter. Only 10 of the 46 transactions disclosed deal consideration, totaling \$1.6 billion.

**Internet** M&A activity in the Internet sector increased by 47%, from 19 deals in Q2 2011 to 28 deals in Q3 2011. 16 of the 28 companies acquired were based in California. Only 5 of the 28 companies acquired were based in the Northeast region of the US.

Internet search company [Goby Technologies](#) was acquired for an undisclosed sum by GPS and mapping technology company [TeleNav](#). Goby had developed an online search engines focused on helping people discover things to do during their free time or on vacation.

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Redwood City, California-based auction company [OpenLane](#) is now a part of [ADESA](#), a full-service vehicle remarketing company, after having been acquired for \$210 million in an all cash transaction. ADESA said that it acquired the company because it extends its online auction offerings and provides a complementary customer base.

In the social space, [IncrediMail](#) brought [Smilebox](#) into the fold with an acquisition worth \$40 million. The deal was composed of \$25 million in upfront cash and additional milestone payments of up to \$15 million. Smilebox has developed technology to make it easy to connect with friends and family using photos, music, text and sharing them via email, blog or print.

**Digital Media** Five digital media companies changed hands this quarter, the same as in Q2 2011. For VentureDeal's purposes, digital media companies are generally either advertising networks or game developers.

In one of the larger digital media transactions this quarter, [Dotomi](#) was acquired by [ValueClick](#) (NASDAQ: VCLK) for the sum of \$295 million. The transaction was composed of 55% cash up front and 45% in ValueClick stock. Dotomi provides banner ad technology that "creates a direct relationship between marketers and consumers by opening a one-to-one messaging channel."

**eCommerce** There was one eCommerce acquisition during the quarter, the same as in the previous quarter. This continues a trend of low M&A activity in the sector, with only a total of five acquisitions for all of 2010 through Q3 2011.

**Software** Software M&A activity increased when compared to the previous quarter, with 12 venture capital-backed companies being acquired versus the previous quarter's 9. Eight of the 12 companies acquired were located in California and two were located in Washington state.

Healthcare software company [Proxsys](#) was acquired by [Athenahealth](#) for \$36 million, composed of \$28 million in upfront cash and \$8 million in milestone earnout payments. Proxsys has developed software technology that streamlines the input, transfer and storage of patient information. The company was backed by venture capital firm [Advantage Capital Partners](#), which invests in states and communities that are typically underserved by traditional sources of risk capital.

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Mountain View, California-based [RingCube](#) was acquired for an undisclosed sum by enterprise software company [Citrix Systems](#). The company had developed a unique software system that enables users to utilize any USB device to replicate their entire personal computing experience on any device.

Table 2

**Venture Capital M&A Activity – 3<sup>rd</sup> Quarter 2011**

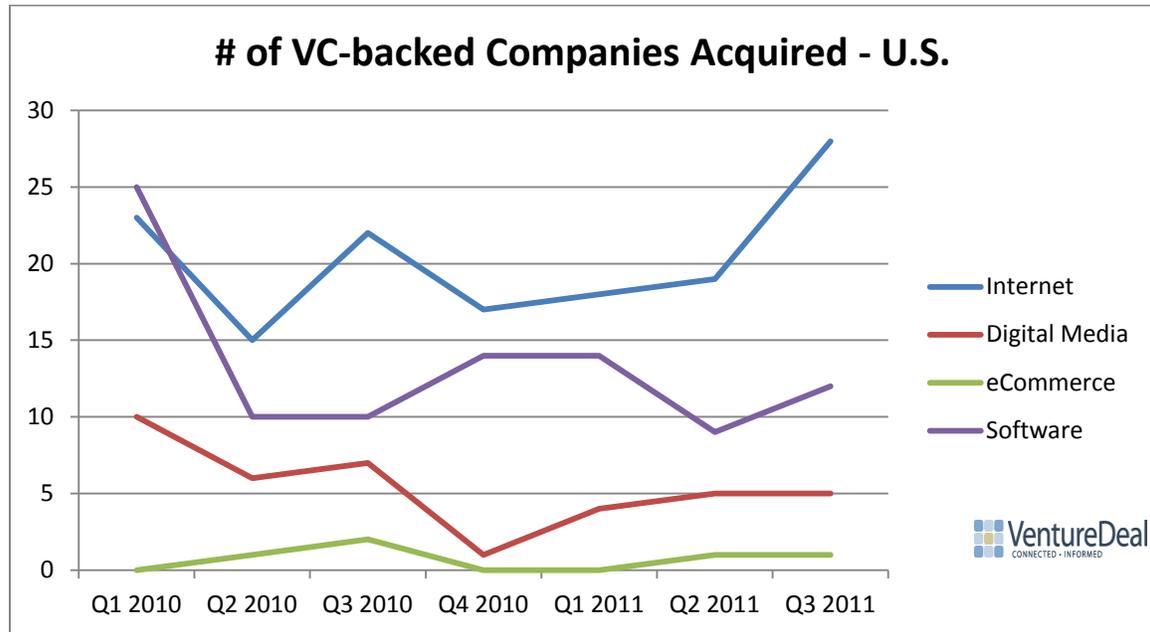
Internet • Digital Media • eCommerce • Software

<b>Industry Sector</b>	<b>Number of Transactions</b>	<b>% Change vs. Prior Quarter</b>	<b>Disclosed Transaction Amounts</b> (10 of 46 Deals)
Internet	28	+ 47%	\$491 million
Digital Media	5	--	\$1.05 billion
eCommerce	1	--	--
Software	12	+ 33%	\$86 million
<b>Total</b>	<b>46</b>	<b>+ 35%</b>	<b>\$1.6 billion</b>

Chart 2 - located on next page

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Chart 2  
**Venture Capital M&A Activity: Q1 10 – Q3 11**  
 Internet • Digital Media • eCommerce • Software



## Telecom • Wireless • Mobile • Communications

- Summary** Aggregate M&A activity for Telecom, Wireless, Mobile and Communications companies doubled versus the previous quarter, with six companies being acquired.
- Telecom** There were no venture capital-backed companies acquired during the quarter in the Telecom sector. This continues the previously nonexistent level of M&A activity for the sector.
- Wireless** There was only one publicly-announced Wireless sector company acquired during the quarter, continuing the extremely low level of M&A activity for the sector.
- Sunnyvale, California-based [LitePoint](#) was acquired by [Teradyne](#) for \$580 million. The acquisition terms were \$510 million in upfront cash plus \$70 million if certain performance targets are met through the

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end of 2012. LitePoint offers test solutions for the wireless chip manufacturing industry.

## Mobile

Three Mobile companies were acquired in the quarter - the same number of acquisitions as in the second quarter, 2011.

[Skype Technologies](#) acquired [GroupMe](#), a company that has developed technologies to enable individuals to text message to groups of people. Amount of the acquisition was not disclosed.

[eBay](#) continued its consistent acquisition activity with its purchase of [Zong](#) for \$240 million in cash. Zong has developed mobile payments technologies that eBay acquired to bolster the mobile commerce offerings of its [PayPal](#) unit.

## Communications

There were two disclosed Communications M&A transactions during the quarter. The previous quarter showed no transactions, so M&A activity in the sector remains low to nonexistent.

Milpitas, California-based [Grandis](#) was acquired by [Samsung Electronics](#) for an undisclosed amount. Grandis developed "innovative non-volatile memory solutions derived from cutting-edge research and spintronics."

Table 3

### Venture Capital M&A Activity – 3<sup>rd</sup> Quarter 2011

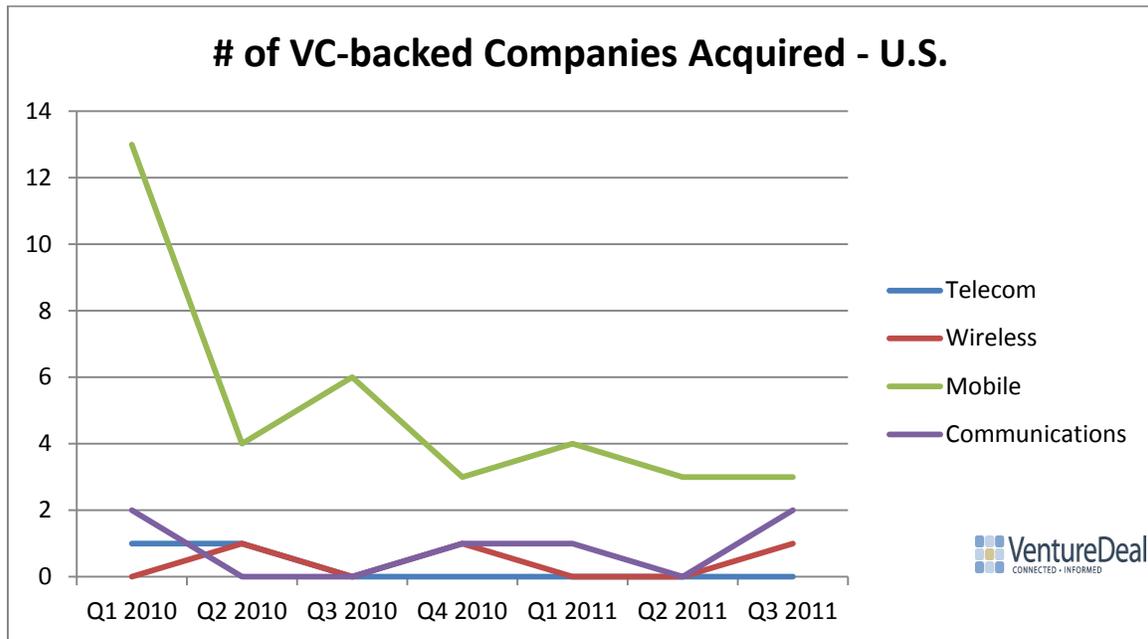
Telecom • Wireless • Mobile • Communications

Industry Sector	Number of Transactions	% Change vs. Prior Quarter	Disclosed Transaction Amounts (2 of 6 Deals)
Telecom	0	--	--
Wireless	1	+ 100%	\$580 million
Mobile	3	--	\$240 million
Communications	2	+100%	--
<b>Total</b>	<b>6</b>	<b>+100%</b>	<b>\$820 million</b>

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Chart 3

**Venture Capital M&A Activity: Q1 10 – Q3 11**  
Telecom • Wireless • Mobile • Communications



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## Notes

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The database obtains transaction and company information from a wide variety of reputable public and private sources. While this report is free of charge, users may view the individual transactions supporting the totals herein by subscribing to VentureDeal.

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