

# Venture Capital M&A Quarterly

**3<sup>rd</sup> Quarter, 2010 – United States**

Prepared & Published by: [VentureDeal](#)

M&A Activity for:

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

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## Biotechnology • Pharmaceutical • Medical Devices

**Summary** Biotechnology, Pharmaceutical and Medical Device M&A activity increased by 63%, with 13 companies acquired during the third quarter versus eight companies acquired in the second quarter, 2010. Biotech and Pharmaceutical companies accounted for nine of the acquisitions and four Medical Device companies were acquired during the quarter.

**Biotechnology** [Zystor Therapeutics](#) was acquired by publicly held [BioMarin Pharmaceuticals](#) (NASDAQ: BMRN) for a total consideration of \$115 million. The consideration was composed of \$22 million upfront cash and up to an additional \$93 million earn-out based on the achievement of certain milestones. Zystor is developing therapeutics focused on patients who suffer from genetic disorders known as lysosomal storage diseases.

In the biotech informatics space, Sunnyvale, California-based [BioImage](#) was acquired by pharmaceutical giant [Roche](#) for \$100 million. BioImage created technology that automates the analysis of images that span across gels, cells, tissues and whole body images. BioImage was backed by venture capital firms and strategic investors that included [Siemens Venture Capital](#).

**Pharmaceutical** Four pharmaceutical companies changed hands this quarter, versus three last quarter. Cambridge, Massachusetts-based [FoldRx Pharmaceuticals](#) was acquired by [Pfizer](#) (NYSE: PFE), for an undisclosed amount. FoldRx was developing what it called "disease modifying drug therapies for diseases of protein misfolding and amyloidosis." The company had raised in excess of \$120 million of venture capital, strategic and private equity financing.

In the metabolic and inflammatory disease spaces, [Alnara Pharmaceuticals](#) was acquired by Eli Lilly & Co. (NYSE: LLY) for an undisclosed amount. Alnara develops non-systemic protein therapeutics for patient treatments.

**Medical  
Devices**

Four Medical Device companies were acquired during the quarter versus three in the previous quarter. The largest disclosed acquisition price was \$744 million that [Alcon](#) (NYSE: ACL) paid for [LenSx Lasers](#). LenSx developed next-generation laser technology used in eye surgery applications. The purchase price was composed of \$361.5 million in cash and up to \$382.5 million in contingent earn-out. LenSx venture capital backers included [InterWest Partners](#), [SV Life Sciences](#) and [Versant Ventures](#).

Sunnyvale California-based [Asthmatx](#) was acquired by [Boston Scientific Corp.](#) (NYSE: BSX). Asthmatx developed an interventional medical device for the bronchoscopic treatment of patients with moderate to severe asthma. The purchase price was \$443.5 million, composed of \$193.5 million in cash plus up to \$250 million based on revenue-based earnout.

Table 1

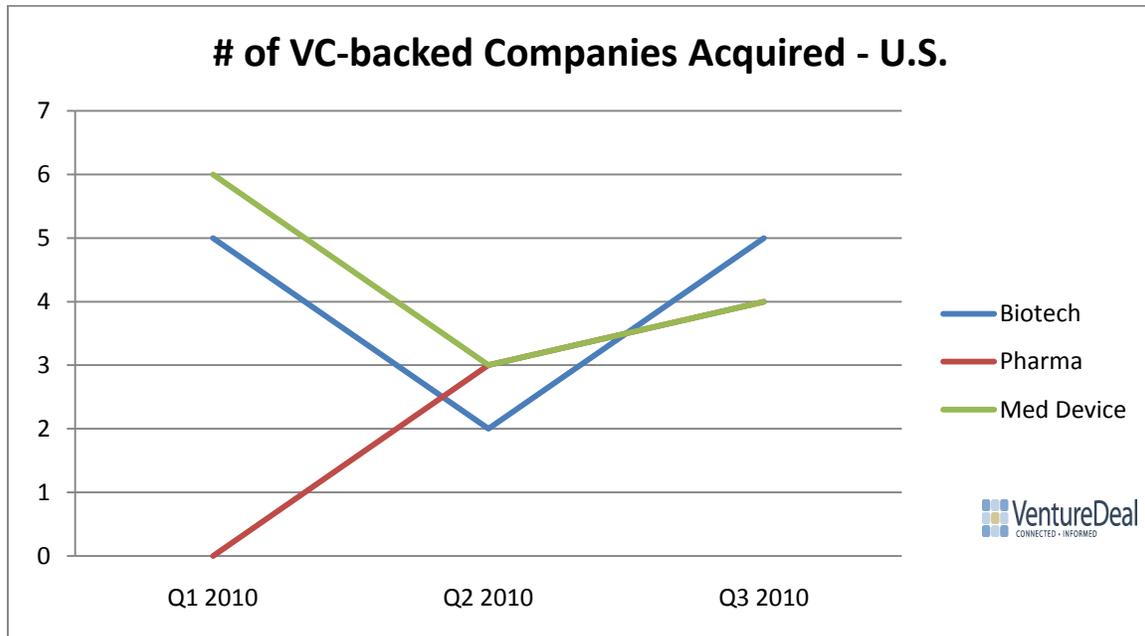
**Venture Capital M&A Activity – 3<sup>rd</sup> Quarter 2010**

Biotechnology • Pharmaceutical • Medical Devices

<b>Industry Sector</b>	<b>Number of Transactions</b>	<b>% Change vs. Prior Quarter</b>	<b>Disclosed Transaction Amounts</b> (10 of 13 Deals)
Biotechnology	5	+150%	\$1.05 billion
Pharmaceutical	4	+33%	\$132.5 million
Medical Devices	4	+33%	\$1.67 billion
<b>Total</b>	<b>13</b>	<b>+63%</b>	<b>\$2.85 billion</b>

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Chart 1

**Venture Capital M&A Activity – YTD 2010**  
 Biotechnology • Pharmaceutical • Medical Devices

**Internet • Digital Media • eCommerce • Software**

**Summary** Sector M&A activity increased by 32%, with 41 companies purchased during the quarter versus 31 in Q2. Only 6 of the 31 transactions disclosed deal consideration, totaling \$2.66 billion, with two transactions accounting for \$2.26 billion of that total.

**Internet** M&A activity in the Internet sector increased by 57%, from 14 deals in Q2 to 22 deals in Q3. 15 of the 22 companies acquired were based in Silicon Valley or San Francisco. 4 of the 22 companies acquired were based in New York or Massachusetts.

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Business social network [LinkedIn](#) made two acquisitions during the quarter. On August 4, it acquired digital media company [mSpoke](#) for an undisclosed amount. mSpoke had developed what it called an "Adaptive Personalization Engine" that helps websites deliver relevant content based on implicit and explicit consumer feedback.

LinkedIn also acquired Internet company [ChoiceVendor](#) for an undisclosed amount. ChoiceVendor created technology that enables users to rate and review business service providers.

Internet portal [AOL](#) made three acquisitions late in the quarter: Web sharing company [Thing Labs](#), influential tech blog [TechCrunch](#) and [5min](#), a short-form how-to video sharing website. Financial terms for all three transactions were not disclosed.

**Digital Media** Seven digital media companies changed hands this quarter, a 17 % increase from the six in Q2. For VentureDeal's purposes, digital media companies are generally either advertising networks or game developers.

The largest transaction during the quarter was the acquisition of game maker [Playdom](#) by the [Walt Disney Co.](#) Playdom created the number one most popular game on MySpace - Mobsters. The company also created popular games on Facebook. Playdom was acquired for \$763.2 million, of which \$563.2 million was cash and \$200 million was a performance-based earn-out.

**eCommerce** There were two eCommerce acquisitions during the quarter. By far the largest was the acquisition of [Arcot Systems](#) by [CA Technologies](#) for \$200 million in an all cash transaction. Arcot provides multilayer transaction authentication between banks, online merchants and customers.

**Software** Software M&A activity remained the same compared to the previous quarter, with 10 companies being acquired. Four of the ten companies acquired were located in Silicon Valley, with the remainder located in Massachusetts (2), Washington (1), Texas (1) and Colorado (2).

By far the largest acquisition during the quarter was that of managed security company [ArcSight](#) by [HP](#). ArcSight had developed a blue-chip customer base of over 350 enterprises, agencies and security service providers. HP paid an all cash consideration of \$1.5 billion. ArcSight

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was backed by such venture capital firms as [Kleiner Perkins Caufield & Byers](#) and [Integral Capital Partners](#).

San Mateo, California-based business intelligence database company [Greenplum](#) was acquired for an undisclosed all cash sum by [EMC Corporation](#). Greenplum was backed by a large syndicate of both venture capital and strategic investors.

Table 2

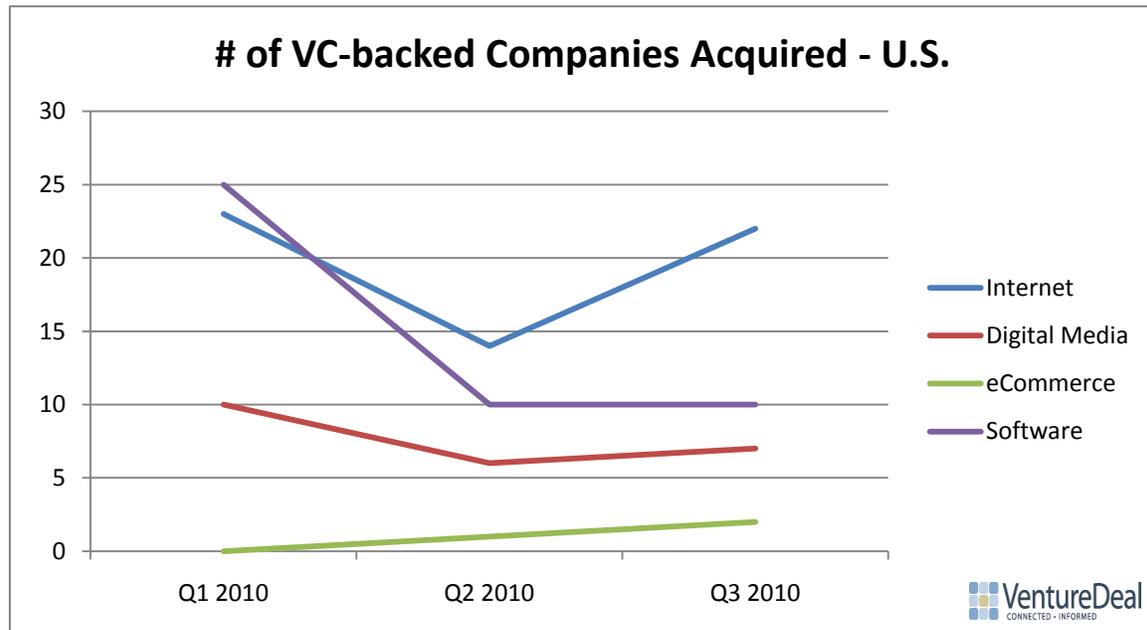
**Venture Capital M&A Activity – 3<sup>rd</sup> Quarter 2010**

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> (6 of 41 Deals)
Internet	22	+57%	Undisclosed
Digital Media	7	+17%	\$763 million
eCommerce	2	+ 100%	\$209 million
Software	10	--	\$1.69 billion
<b>Total</b>	<b>41</b>	<b>+32%</b>	<b>\$2.66 billion</b>

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Chart 2

**Venture Capital M&A Activity – YTD 2010**  
 Internet • Digital Media • eCommerce • Software

**Telecom • Wireless • Mobile • Communications**

**Summary** Aggregate M&A activity for Telecom, Wireless, Mobile and Communications companies remained unchanged from the previous quarter, with six companies being acquired versus Q2. All of the acquisition activity was in the Mobile sector, with four acquired companies based in California and two in New York.

**Telecom** There were no venture capital-backed companies acquired during the quarter in the Telecom sector. This is compared to the previous quarter where only one company was acquired.

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**Wireless**      There were no Wireless sector companies acquired during the quarter. There was only one company acquired in the wireless sector in the previous quarter, so activity remains at a very low ebb.

**Mobile**      Six Mobile companies were acquired in Q3 versus four in Q2 and 10 in Q1.

[FusionOne](#) was acquired by [Synchronoss Technologies](#) for \$75 million. The purchase price was composed of an upfront payment of \$32 million in cash and \$8 million in stock, plus up to \$35 million in earn-outs. FusionOne had created a suite of services that enable mobile phone users to enhance their productivity.

New York-based mobile commerce company [Transfer To](#) was acquired by France-based eCommerce company [Ingenico](#) for \$38 million. Transfer To developed technology that enable "small value transfers through mobile phones."

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

Table 3 and Chart 3 on Following Pages

Table 3

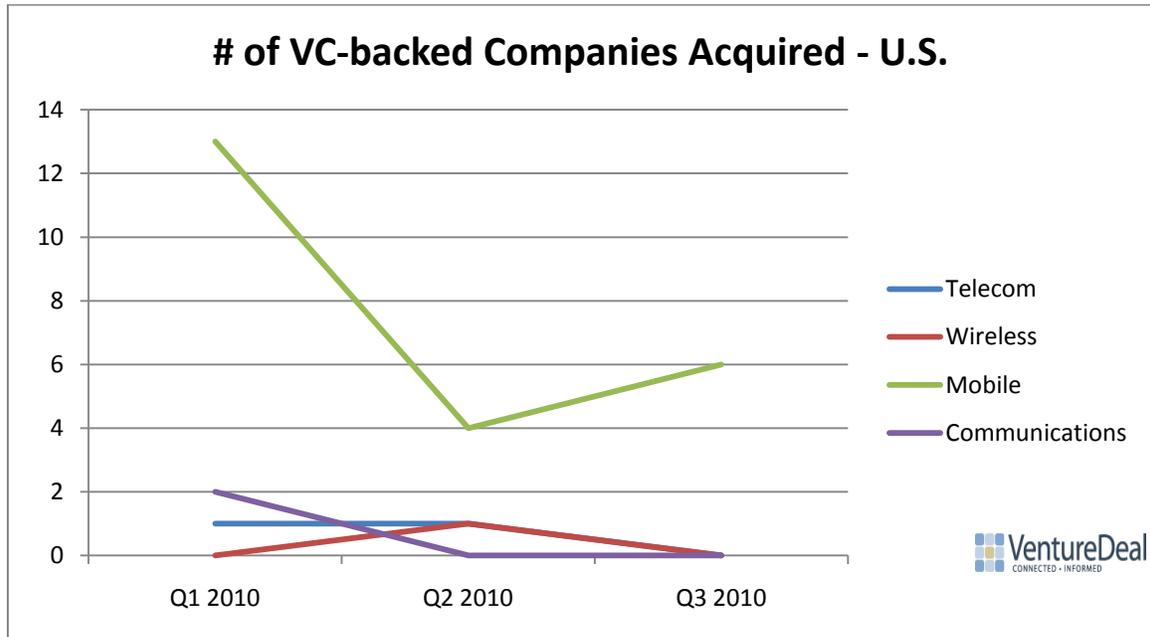
**Venture Capital M&A Activity – 3<sup>rd</sup> Quarter 2010**  
 Telecom • Wireless • Mobile • Communications

<b>Industry Sector</b>	<b>Number of Transactions</b>	<b>% Change vs. Prior Quarter</b>	<b>Disclosed Transaction Amounts</b> (2 of 6 Deals)
Telecom	0	-100%	Undisclosed
Wireless	0	-100%	Undisclosed
Mobile	6	+50%	\$113 million
Communications	0	- 100 %	Undisclosed
<b>Total</b>	<b>6</b>	<b>--</b>	<b>\$113 million</b>

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Chart 3

**Venture Capital M&A Activity – YTD 2010**  
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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