

# Venture Capital Funding and M&A Quarterly

## Telecom • Wireless Mobile • Communications

4<sup>th</sup> Quarter, 2007 – United States

Published by: [VentureDeal](#)

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## Summary

During the final quarter of 2007, the four reviewed sectors raised a total of \$732 million in new venture capital investment between 70 companies. Funding amounts were 4% less in the aggregate than the previous quarter. The number of companies funded also dropped, by 8%. These numbers reflect essentially flat to slightly lower activity versus the previous quarter. (Table 1) M&A transaction activity was up 227% over the previous quarter, with 12 companies receiving a total of \$990 million in consideration. (Table 2)

## Funding Activity

### Telecom

In the Telecom sector, the largest funding event was for [Telecom Transport Management \(TTM\)](#) of Seattle, WA, which received \$120 million for its series D round. TTM is in the process of building out its TDM and Ethernet backhaul networks for wireless carriers in the U.S. The company is backed by a large syndicate of investors and the round was co-led by [Battery Ventures](#) and [Columbia Capital](#).

IPTV company [Kasenna](#) raised additional funding of \$2.3 million in an inside funding round. Kasenna's technology helps telecom service providers build commercial-grade IP video networks for video on demand (VOD) television. The company is backed by Intel and others and has received more than \$36 million in venture capital funding.

In the services sector, [IntelePeer, Inc.](#) received \$4.3 million to help eCommunities (social networking sites) obtain the best combination of telecommunications carriers for scaling their bandwidth-intensive applications. The round was funded by Ann Arbor, MI-based [EDF Ventures](#) and an undisclosed investor.

### Wireless

Wireless companies raised \$237 million among 23 companies during the quarter. A number of wireless networking companies in a variety of sub-sectors were rewarded with new and follow-on fundings.

In the sensor market, Boulder, CO-based [Tendril Networks](#) received an additional \$1.1 million to continue development of its wireless sensor technologies. [SynapSense](#) also raised \$1 million and added top-tier VC [Sequoia Capital](#) to its roster of investors. The company is developing a configurable wireless sensor networking platform.

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[Firetide](#) received \$14.4 million in its series D round to increase sales and marketing efforts for its wireless mesh technology solutions for the real-time surveillance and mobile infrastructure markets.

In the carrier products space, [Venturi Wireless](#) garnered \$7.5 million from a syndicate of venture capital firms in order to continue providing its suite of mobile broadband optimization solutions to wireless carriers. The company has received numerous rounds of funding and recently announced a customer win, with Europe-based [Forsbrand Telecom](#) implementing Venturi's hosted option for enhancing mobile broadband data service offerings.

## Mobile

Mobile-focused companies received the largest amount of venture capital funding as well as the number of companies funded, raising \$317 million among 29 different companies. The large amount raised was skewed higher by the dominant funding event of the quarter, \$185 million for [Motricity](#), a mobile content and media provider. Motricity used \$135 million of the financing to acquire the mobile services business unit from [InfoSpace](#).

Other fundings covered a wide range of mobile applications, from direct-to-consumer services, enterprise and telecom platforms, advertising networks and mobile virtual network operators (MVNO). Notably, Amp'd Mobile, a prominent and highly funded MVNO, recently filed for bankruptcy protection, citing high bad debts from its customer base. This development cast a pall over other MVNOs, as questions were raised about the viability of the MVNO business model, which piggybacks its services on existing facilities-based networks.

A number of companies in the located-based technology sub-sector of the Mobile market received funding during the quarter:

[WaveMarket](#) - \$3 million  
[SquareLoop](#) - \$1 million  
[GP Shopper](#) - \$ Undisclosed

**Communications** The Communications industry saw the lowest funding amount of the four related sectors, with 5 companies receiving a total of \$42 million in new venture capital, representing a 50% decrease in funding amount versus the previous quarter.

Of the funded 5 companies, [Tervela, Inc.](#) received a follow-on series C funding of \$20.2 million from its syndicate of investors, notably including Robert Davoli of [Sigma Partners](#) who is a board member. The company had its first close of the round in July, raising another \$15.6 million, for a total 2007 haul of \$35.8 million. Tervela was founded in 2004 and is shipping its messaging solutions to the general enterprise and capital markets sectors.

Table 1

## Venture Funding Activity – 4<sup>th</sup> Quarter 2007

Industry <a href="#">Click Industry For Detail</a> (\$25 Subscription Req'd)	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
<a href="#">Telecom</a>	\$136 Million	- 5 %	13	- 8 %
<a href="#">Wireless</a>	\$237 Million	- 9 %	23	- 12 %
<a href="#">Mobile</a>	\$317 Million	+ 17 %	29	- 3 %
<a href="#">Communications</a>	\$42 Million	- 50 %	5	- 17 %
<b>Total</b>	<b>\$732 Million</b>	<b>- 4 %</b>	<b>70</b>	<b>- 8 %</b>

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## M&A Activity

In the Wireless sector, equipment providers made up the bulk of Wireless M&A activity during the quarter. [Cisco Systems, Inc.](#) acquired [Navini Networks Inc.](#) for \$330 million in cash and assumed options. Navini developed WIMAX technologies for wireless broadband networks.

Mobile sector M&A continued to grow with [Qualcomm](#) acquiring two companies, [SoftMax](#) for an undisclosed sum and [Firethorn Holdings, LLC](#) for \$210 million in an all cash deal. Firethorn has developed mobile payments technologies. The acquisition is part of a trend of hardware and telecom firms acquiring technologies that are closer to services, since hardware margins are under ongoing pressure.

M&A in the Communications sector also rose sharply from the previous quarter's dearth of deals. [Interwise](#) was acquired BY AT&T Corp., which paid \$121 million in cash for the teleconferencing technology company. Additionally, [Oplink Communications, Inc.](#) acquired the remaining 42% of [Optical Communications Products Inc.](#) that it did not own for \$80 million in cash. Optical designs fiber-optic communications components and sub-systems.

Table 2

### Venture M&A Activity – 4<sup>th</sup> Quarter 2007

Industry <a href="#">Click Industry For Detail</a> (\$25 Subscription Req'd)	M&A Transaction Amounts	% Change Vs. Prior Quarter	M&A Number of Transactions	% Change vs. Prior Quarter
<a href="#">Telecom</a>	\$ 0	~	0	~
<a href="#">Wireless</a>	\$579 Million	~	5	+ 150 %
<a href="#">Mobile</a>	\$210 Million	~	4	+ 300 %
<a href="#">Communications</a>	\$201 Million	N/A	3	+ 200 %
<b>Total</b>	<b>\$990 Million</b>	<b>+ 227 %</b>	<b>12</b>	<b>+ 33 %</b>

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## Notes

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The information source used was the [VentureDeal.com](http://VentureDeal.com) database. VentureDeal is a venture capital database that provides the latest information about venture-backed technology companies, venture capital firms and transactions in the United States.

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 for \$25 and clicking on the relevant Industry category of their choice.

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