

Venture Capital Funding and M&A Quarterly

Internet • Digital Media eCommerce • Software

4th Quarter, 2007 – United States

Publisher
[VentureDeal](#)

Contributors
Internet • Digital Media: [Jackson West](#)
eCommerce • Software: [Dennis Howlett](#)

Contents

| | |
|------------------|---|
| Summary | 2 |
| Funding activity | 2 |
| M&A activity | 6 |
| Notes | 8 |

Email This Report
[Click here >>](#)

This material has been prepared and issued by VentureDeal, LLC. The information contained herein is based on current information that VentureDeal considers reliable, but we make no representation that it is accurate or complete, and it should not be relied upon as such. It is provided with the understanding that VentureDeal is not acting in a fiduciary capacity. © 2008 VentureDeal. [Some Rights Reserved.](#)

Summary

During the quarter, the Internet and Digital Media sectors raised a total of \$1.45 billion in new venture capital investment between 169 companies. That represents an increase of 14% in Internet total investment over the previous quarter and a 2% decrease for Digital Media. While venture funding is up, merger and acquisition activity is down, with significantly fewer M&A deals in the sector and only \$103,000,000 in total reported consideration.

The eCommerce sector was quiet in the last quarter with only two M&A transactions, both of which were for undisclosed amounts and five funding transactions totaling \$55.7 million, down 76% on the previous quarter on 55% fewer deals. (Table 2) The Software sector by comparison saw plenty of transactions but total values were also down. The total amount of finance raised in the quarter was \$956 million from the 148 transactions for which data was made available. While the absolute number of transactions was down by 12%, the total value of transactions completed was 41% higher than the previous quarter. The numbers are skewed by 14 deals totaling \$272.5 million. On the M&A front, the number of deals was down 10% at 45 and the total value changing hands was also down 61% to \$1.69 billion. (For all sector financings, see Table 1.)

Funding Activity

Internet

Social networking site [Facebook](#) received a total of \$300 million in new investment, including \$240 million from [Microsoft](#) and \$60 million from private investor Li Ka-Shing. The investments bought shares in the company, the relative proportions calculated based on a widely reported Facebook valuation of \$15 billion. Microsoft's investment is presumed to guarantee the company a role in any future Facebook nascent advertising models.

Airfare and travel bargain meta-search site [Kayak.com](#) raised \$196 million in credit and venture equity a Series D round led by [Sequoia Capital](#). The company promises to use the money to fund their merger with competitor [SideStep](#) and to fund expansion into more markets worldwide.

A number of smaller companies also received two installments of funding in as many quarters, suggesting rapid growth.

This material has been prepared and issued by VentureDeal, LLC. The information contained herein is based on current information that VentureDeal considers reliable, but we make no representation that it is accurate or complete, and it should not be relied upon as such. It is provided with the understanding that VentureDeal is not acting in a fiduciary capacity. © 2008 VentureDeal. [Some Rights Reserved](#).

[Clickable](#) received a total of \$6 million in Series A funding; [Company Loop](#) received \$5 million in Q4 after receiving an undisclosed amount in Q3; Edvert received a total of \$5.4 million; [Scrapblog](#) raised \$2.75 million and [TechTribe Networks](#) raised \$2 million.

Video-related companies continued to attract investment interest, with [Vuze, Inc.](#) receiving \$20 million in a Series C funding round led by New Enterprise Associates. The company leverages the [BitTorrent](#) protocol and open-source [Azureus](#) software client to distribute video and other bandwidth-intensive content.

[TubeMogul.com](#), which enables content creators to distribute video content and track views across a number of sites, received an undisclosed round of funding. Live, online video broadcasters [Ustream.TV](#) and [Justin.tv](#), which attracted significant media interest, also received undisclosed amounts of funding.

Digital Media

Raising \$185 million in funding from Advanced Equities Financial Corporation, Carl Icahn and New Enterprise Associates, mobile content management and delivery specialist [Motricity](#) used \$135 million of the funding to purchase fellow mobile media and access tool provider InfoSpace Mobile. The remaining \$50 million will be put toward general business development, according to the company.

[Heavy, Inc.](#) secured \$10 million in funding from Polaris Venture Partners, bringing total investment in the last two years to \$22.3 million. The multimedia destination site targets the young male demographic, and has also made moves to expand into offering services for independent content creators wanting to leverage Heavy's player technology and advertiser portfolio.

Director of Corporate Media Strategy Jeremiah Owyang left [PodTech Network](#) shortly before the company secured \$1 million in additional funding in Q3. Then founder John Furrier stepped down as CEO and star spokesperson Robert Scoble left in Q4. The company has refined its focus on creating sponsored content for clients such as Intel and Symantec, and raised an additional \$300,000 in bridge financing just before the close of the year.

eCommerce

[Way Systems, Inc.](#) received \$22.4 million in a Series C round led by Bessemer Venture Partners. The funds will be used to support WAY's growth, which has more than doubled in the past three years.

[Xoom Corporation](#), an online-to-offline international money transfer service, received \$20.29 million in a Series E round led by DAG Ventures. In recent times, Xoom has been expanding its services both nationally and internationally. In November, it announced the ability to transfer to any bank in the US, Canada, UK, Poland, Germany, Australia and the addition of 450 money transfer locations in Mexico.

Software

As always in the software sector, investments are broad. Nowadays, there is less appetite for pure consumer plays although angel investors are still active. Instead, investors are looking at less risky models where the emphasis is on infrastructure style plays or additional investment in proven companies. [AppTrigger](#) for example raised \$21.5 million led by [CenterPoint Ventures](#). AppTrigger provides a new type of development environment for the telecommunications industry where time to market is critical and where new services are constantly evolving yet have to fit into complex IT infrastructures.

Healthcare continues to attract investment in those areas where innovation can make a ready impact. [Medvantx](#) raised \$14.3 million from Polaris Venture Partners to help develop its consumer medication management service while [MedAptus](#) which supplies healthcare charging solutions, raised \$11 million from Boston Millennia Partners. Continuing the medical theme, [Medefinance](#) secured \$10 million to further develop its healthcare analytics business from Emergence Capital Partners and others.

[Imprivata](#) raised \$12.5 million. The company provides solutions that offer a practical and affordable means to achieve regulatory compliance while also improving security, reducing IT help desk costs, eliminating password management problems, and improving user productivity. It has carved out a strong position in the healthcare sector. Investment came from General Catalyst Partners and others. In the related market of database auditing for compliance, [Lumigent](#), secured \$11.7 million from a syndicate including Greylock Partners and

This material has been prepared and issued by VentureDeal, LLC. The information contained herein is based on current information that VentureDeal considers reliable, but we make no representation that it is accurate or complete, and it should not be relied upon as such. It is provided with the understanding that VentureDeal is not acting in a fiduciary capacity. © 2008 VentureDeal. [Some Rights Reserved](#).

Solstice Capital.

The video market is burgeoning but so far there has been little for the business market to get excited. [ObjectVideo](#), which provides intelligent video software for security, public safety, business intelligence gathering, process improvement and other applications raised \$12.6 million from Novak Biddle Venture Partners and others.

In the Web 2.0 space [Newsgator Technologies](#) raised \$12.0 million from Vista Ventures, Mobius Venture Capital and Masthead Venture Partners. Newsgator provides RSS technologies that allow the aggregation and syndication of information. It is now ramping up sales of its on-demand offerings to larger organizations having successfully captured significant mindshare in the RSS reader market.

In the mobile device market, [IXI Mobile](#), which makes the Ogo mobile messaging device for prosumers, raised \$9.7 million from [Gemini Israel Funds](#) to support ongoing operations and ramp up its subscriber base.

Table 1

Venture Funding Activity – 4th Quarter 2007

| Industry Click Industry For Detail (\$25 Subscription Req'd) | Total Amount Funded | % Change Vs. Prior Quarter | Number of Companies Funded | % Change vs. Prior Quarter |
|--|-----------------------|----------------------------|----------------------------|----------------------------|
| Internet | \$1.07 Billion | + 14 % | 140 | -- |
| Digital Media | \$399 Million | -2 % | 29 | -- |
| eCommerce | \$56 Million | - 76 % | 5 | - 55 % |
| Software | \$956 Million | + 41 % | 148 | - 12 % |
| Total | \$2.48 Billion | + 9 % | 322 | - 8 % |

This material has been prepared and issued by VentureDeal, LLC. The information contained herein is based on current information that VentureDeal considers reliable, but we make no representation that it is accurate or complete, and it should not be relied upon as such. It is provided with the understanding that VentureDeal is not acting in a fiduciary capacity. © 2008 VentureDeal. [Some Rights Reserved.](#)

M&A Activity

Internet

Digital Media

The Internet sector saw significant change in the number and scale of companies changing hands from Q3 to Q4. Forbes Media picked up bookmarking tool [Clipmarks](#) as well as well as a 51% stake in political news clearinghouse [Real Clear Politics](#), both for undisclosed amounts. And after closing \$3.5 million in a Series D round in Q3, television listing and online video site [MeeVee](#) acquired blog aggregator [Top 10 Sources](#).

Other large media companies snapping up online properties included Fox Interactive Media purchasing Beliefnet Inc., MSNBC.com purchasing [Newsvine](#), and the Walt Disney Co. purchasing [iParenting](#). AOL purchased question-and-answer service [Yedda](#), which connects users with questions to users with answers, and [Quigo](#), which offers advertising management and search engine optimization tools.

Only two companies released the basic financial details of acquisition deals in Q4. [ScanAlert](#), which certifies web sites as "hacker safe," was purchased by computer security provider McAfee for \$51 million plus a possible \$24 million in performance incentives. [Optimost](#), which provides enterprise web site optimization tools, was purchased by content management provider Interwoven for \$52 million. Both were all cash deals.

eCommerce

This sector is in freefall at the moment with funding deals totaling \$55.7 million down some 71% compared to the previous quarter and on fewer deals.

[FutureTrade Technologies](#) was acquired by [Interactive Brokers Group](#) an automated global electronic market maker and broker. [Netvantage](#) was acquired by [Purepay](#), an acquirer and operator of payments companies with a primary focus on automation and transaction processing within the financial services industry. Terms of both deals were not disclosed.

Software

There were several substantial acquisitions in the quarter covering a broad range of technology segments. The big acquisitions were of the tuck-in type where the acquirer wanted to add missing functionality or they were to extend reach into existing markets. Some of the largest deals occurred in the broad data management and security segments.

[Symantec](#) acquired [Vontu](#) for \$350 million in cash. According to Symantec, the combined Symantec and Vontu offerings will represent the only complete data loss prevention solution on the market – covering the endpoint, network, and storage with an integrated policy platform to prevent data loss throughout the enterprise.

Symantec competitor McAfee completed its \$350 million acquisition in [SafeBoot](#), a company that offers data protection as well as risk and compliance solutions. Elsewhere, Iron Mountain Digital, which specializes in data backup/recovery and archiving software as a service, acquired [Stratify](#), for \$158 million. Stratify specializes in sophisticated document management and retrieval for the legal profession.

In specialist markets, [Zebra Technologies](#) which helps companies identify, locate and track assets, transactions and people with on-demand specialty digital printing and automatic identification solutions, acquired [Navis](#) for \$145 million in an all cash deal. This deal was a little unusual in that Navis manages logistics, assets, inventory and cargo across the global supply chain. It is therefore a departure from Zebra's core business that allow them to expand into new areas of business operation.

In the SMB space, [Intuit](#) acquired [Homestead Technologies](#) for \$185 million in an all cash deal. Intuit said the purchase price includes the assumption of outstanding options and restricted stock units, although it did not say how much those items were worth. Homestead is a supplier of webstore solutions for small businesses and Intuit sees this as a natural extension of its market.

Table 2

Venture M&A Activity – 4th Quarter 2007

| Industry Click Industry For Detail (\$25 Subscription Req'd) | M&A Transaction Amounts | % Change Vs. Prior Quarter | M&A Number of Transactions | % Change vs. Prior Quarter |
|---|--|---|---|---|
| Internet | \$103 Million | - 87 % | 13 | - 43 % |
| Digital Media | Undisclosed | N/A | 2 | - 60 % |
| eCommerce | Undisclosed | N/A | 2 | -- |
| Software | \$1.69 Billion | - 61 % | 45 | - 10 % |
| Total | \$1.79 Billion | - 67 % | 62 | - 23 % |

Notes

This report was prepared by [Jackson West](#), [Dennis Howlett](#) and the staff of [VentureDeal](#).

The information source used was the VentureDeal 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.

This material has been prepared and issued by VentureDeal, LLC. The information contained herein is based on current information that VentureDeal considers reliable, but we make no representation that it is accurate or complete, and it should not be relied upon as such. It is provided with the understanding that VentureDeal is not acting in a fiduciary capacity. © 2008 VentureDeal. [Some Rights Reserved](#).

This publication may be re-produced or re-transmitted for non-commercial purposes, subject to the copyright notice herein.

While all attempts have been made to verify information provided in this publication, neither the author nor the publisher assumes any responsibility for errors, omissions or contrary interpretation of the subject matter herein.

This publication is not intended for use as a source of any advice such as legal, medical, or accounting. The information contained herein may be subject to varying international, federal, state and/or local laws or regulations. The purchaser or reader of this publication assumes responsibility for the use of these materials and information. Adherence to all applicable laws and regulations, including international, federal, state and local, governing professional licensing, business practices, advertising and all other aspects of doing business in the US, Canada or any other jurisdiction is the sole responsibility of the purchaser or reader. Neither the author nor the Publisher assume any responsibility or liability whatsoever on the behalf of any purchaser or reader of these materials.

[\(C\) 2008 VentureDeal, LLC. Some Rights Reserved.](#)