

Venture Capital M&A Quarterly

4th 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 decreased in number of transactions by 38%, with 8 companies acquired during the fourth quarter versus 13 companies acquired in the third quarter, 2010. Biotech and Pharmaceutical companies accounted for four of the acquisitions and four Medical Device companies were acquired during the quarter. All 8 transactions had disclosed amounts, totaling \$2.38 billion.

Biotechnology In the largest acquisition of the quarter, [SmartCells](#) was acquired by publicly held industry giant [Merck & Co.](#) (NYSE: MRK). The consideration was composed of an undisclosed upfront cash amount plus milestone payments potentially totaling \$500 million. SmartCells is developing what it calls SmartInsulin consisting of a "layered biocompatible and biodegradable polymer therapeutic that is bound to an engineered glucose-binding molecule."

New Jersey-based lung disease treatment company [Transave](#) was acquired by [Insmmed](#) (NASDAQ: INSM), developer of a proprietary protein platform for developing inhaled pharmaceuticals for the site-specific treatment of lung diseases. The purchase price was \$44 million in an all stock transaction. Subsequent to the announcement, Insmmed received a letter from the NASDAQ Stock Market granting them an additional 180 days to regain compliance with the \$1.00 per share minimum bid price rule for continued listing.

Pharmaceutical Only one pharmaceutical company changed hands this quarter, versus four last quarter.

[Eli Lilly & Co.](#) made the only venture capital-backed pharmaceutical company acquisition during the quarter, acquiring [Avid Radiopharmaceuticals](#) of Philadelphia, PA. Avid is a clinical stage company focused on developing proprietary radiopharmaceuticals to image amyloid plaques believed to be involved in the development of Alzheimer's disease. It is also developing agents to image pathology in other types of dementia and Parkinson's disease. Although the initial consideration was announced as \$300 million, Avid shareholders could receive up to an additional \$500 million in milestone payments.

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**Medical
Devices**

Four Medical Device companies were acquired during the quarter, the same number as the previous quarter. The largest acquisition price was \$800 million that [Medtronic](#) (NYSE: MDT) paid for [Ardian](#). Ardian has developed a system to block the renal sympathetic nerves that contribute to hypertension and indirectly to the risk of heart attack, stroke, heart failure and kidney disease. In addition to the initial consideration, additional payments will be equal to the annual revenue growth through the end of Medtronic’s fiscal year 2015.

Palo Alto, California-based [Nellix](#) was acquired by [Endologix](#) (NASDAQ: ELGX) for a purchase price of up to \$54 million in stock with potential milestone earn outs. Nellix has developed a novel Abdominal Aortic Aneurysm (AAA) device that requires minimal invasiveness and allows for unusual aneurysms to be more effectively treated.

Table 1

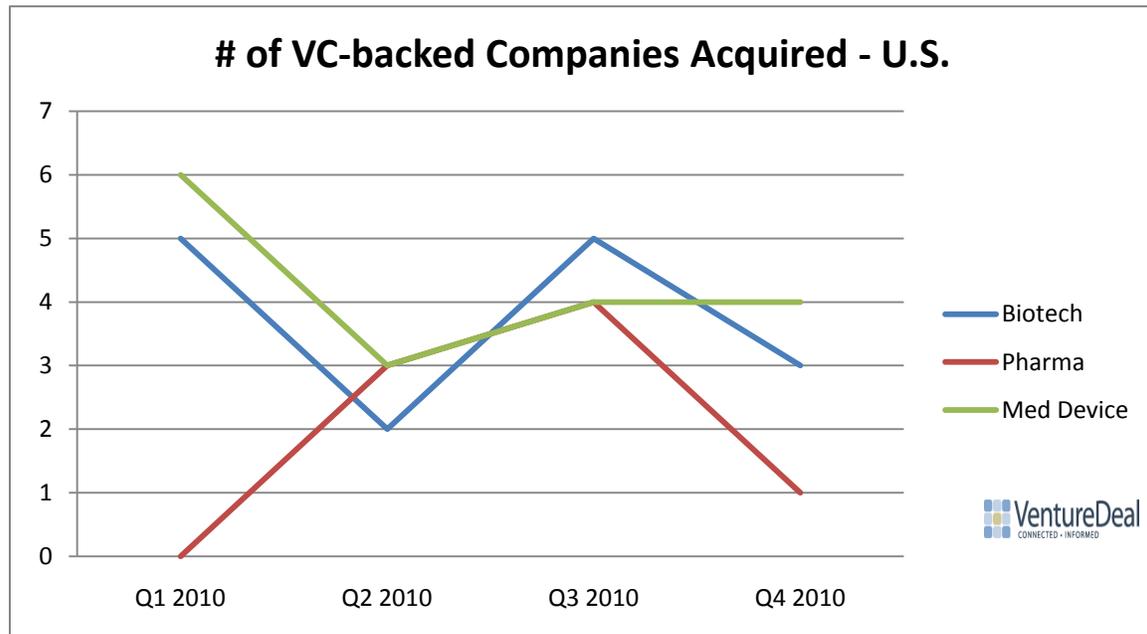
Venture Capital M&A Activity – 4th Quarter 2010

Biotechnology • Pharmaceutical • Medical Devices

Industry Sector	Number of Transactions	% Change vs. Prior Quarter	Disclosed Transaction Amounts (8 of 8 Deals)
Biotechnology	3	- 40%	\$769 million
Pharmaceutical	1	- 75%	\$300 million
Medical Devices	4	--	\$1.31 billion
Total	8	- 38%	\$2.38 billion

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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 decreased by 22 %, with 32 companies purchased during the quarter versus 41 in the previous quarter. Only 6 of the 32 transactions disclosed deal consideration, totaling \$1.78 billion.

Internet M&A activity in the Internet sector decreased by 23%, from 22 deals in Q3 to 17 deals in Q4. 11 of the 17 companies acquired were based in California. 3 of the 17 companies acquired were based in New York or Massachusetts.

Online group site [Grouply](#) was acquired by online classifieds site [Oodle](#) for an undisclosed sum. Grouply had originally started out as a group

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aggregator service to try and improve the [Yahoo](#) Groups and [Google](#) Groups services.

[Facebook](#) was active during the quarter, acquiring file sharing service [Drop.io](#) for an undisclosed amount. Drop.io was created by Sam Lessin and allowed users to create "drops" where they could share large files without needing an account.

Information network [Twitter](#) acquired [Fluther](#). Fluther had created a growing online question-and-answer site characterized by dedicated volunteer moderators enforcing site guidelines. The company also had created technology that allows third-party sites to easily incorporate its Q&A functionality.

Digital Media Only one digital media company changed hands this quarter, a precipitous drop from seven in Q3. For VentureDeal's purposes, digital media companies are generally either advertising networks or game developers.

In the only transaction during the quarter, popular US-based mobile gaming company [ngmoco](#) was acquired by Japan-based [DeNA](#) for \$300 million in cash and up to \$100 million in performance payouts. Ngmoco was backed by [Kleiner Perkins Caufield & Byers](#) via its iFund. Kleiner partner John Doerr remarked that the transaction paid back the entire iFund raise. DeNA said that it is assembling a worldwide mobile social gaming platform with the purchase.

eCommerce There were no eCommerce acquisitions during the quarter, the same as in the previous quarter. This continues a trend of extremely low M&A activity in the sector, with only a total of three acquisitions for all of 2010.

Software Software M&A activity increased when compared to the previous quarter, with 14 venture capital-backed companies being acquired. Nine of the 14 companies acquired were located in California, with one each located in the states of Connecticut, Indiana, Pennsylvania, Texas and Maryland.

The largest announced acquisition during the quarter was [Teradata](#) acquiring [Aprimo](#) for \$525 million. Aprimo provides its Enterprise Marketing Management product to marketing organizations globally.

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Computer manufacturing and services company [Dell](#) (NASDAQ: DELL) was active during the quarter, acquiring two companies for undisclosed amounts: [InSite One](#), which provides digital image storage and archiving solutions and [Boomi](#), a provider of business integration solutions for small and medium-sized businesses.

Table 2

Venture Capital M&A Activity – 4th Quarter 2010

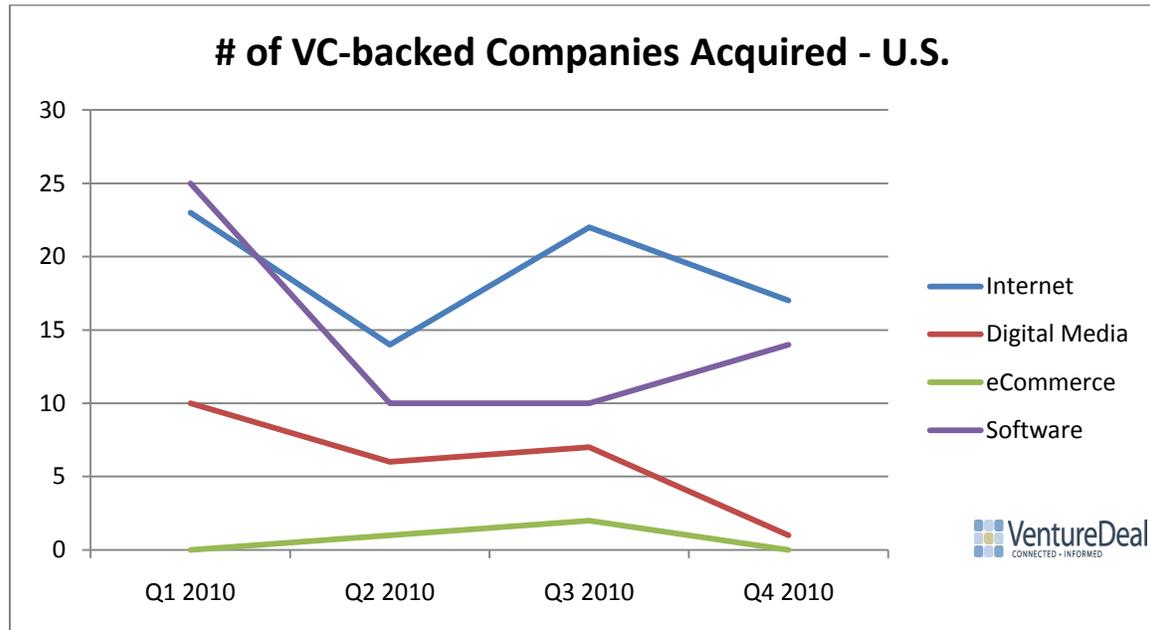
Internet • Digital Media • eCommerce • Software

Industry Sector	Number of Transactions	% Change vs. Prior Quarter	Disclosed Transaction Amounts (6 of 32 Deals)
Internet	17	- 23%	\$545 million
Digital Media	1	--	\$400 million
eCommerce	0	- 100%	--
Software	14	+ 40%	\$839 million
Total	32	- 22%	\$1.78 billion

Chart 2 Located on Next Page

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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 dropped slightly, with five companies being acquired versus six in the previous quarter. Three of the five companies were based in California, with the remaining two companies based in Texas and North Carolina.

Telecom There were no venture capital-backed companies acquired during the quarter in the Telecom sector. This continues the previously very low level of M&A activity for the sector.

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- Wireless** There was only one Wireless sector company acquired during the quarter. Enfora had created a family of GSM/GPRS and 802.11 wireless data solutions to enhance mobility and data access from remote locations. The company was acquired by [Novatel Wireless](#) for \$70.5 million in an all cash deal.
- Mobile** Three Mobile companies were acquired in the fourth quarter, 2010 versus six in the third quarter.
- Group purchasing site [Groupon](#) acquired [Ludic Labs](#) for an undisclosed price. Ludic Labs was creating a "new generation of vibrant mass scale social media applications for Internet and mobile devices." Ludic was backed by [Accel Partners](#), [KPG Ventures](#) and other undisclosed investors.
- Apple platform software designer [Modality](#) was acquired by [Epocrates](#) for \$13.8 million in an all cash deal. Modality creates applications designed for clinician point of care use cases. Epocrates said that the acquisition would expand its product portfolio.
- Communications** There was one disclosed Communications M&A transaction during the quarter. The previous quarter showed no transactions, so M&A activity in the sector remains low.
- The assets of [Casabi](#) were acquired by [BroadSoft](#) for \$1.95 million. BroadSoft said the acquisition will build upon its telecom service provider software as a service offering suite.

Table 3 and Chart 3 on Following Pages

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Table 3

Venture Capital M&A Activity – 4th Quarter 2010
 Telecom • Wireless • Mobile • Communications

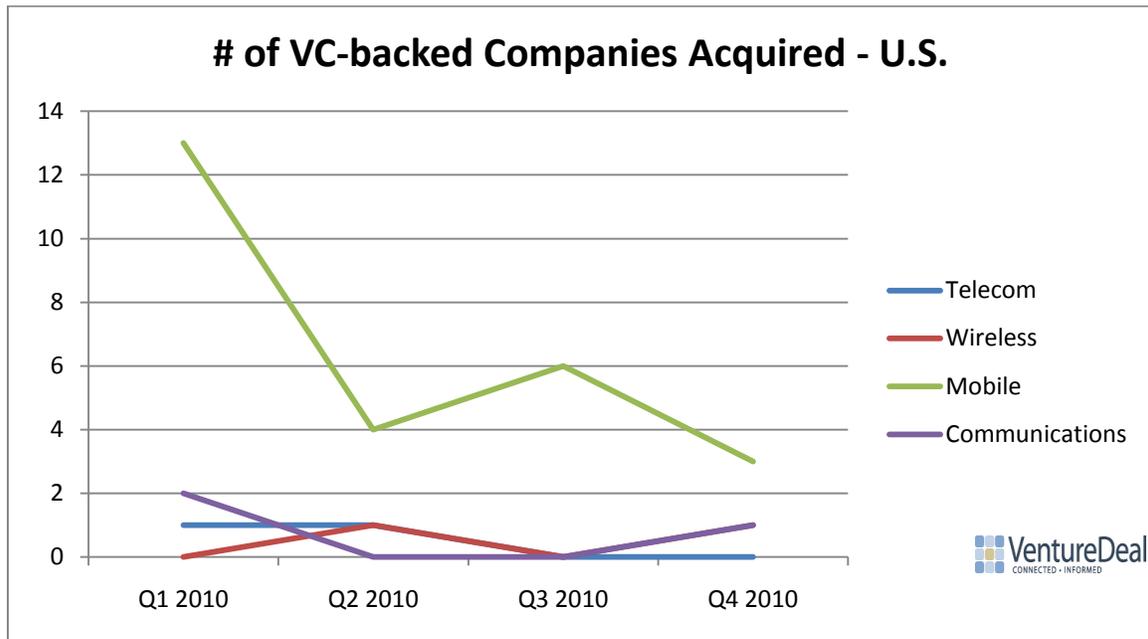
Industry Sector	Number of Transactions	% Change vs. Prior Quarter	Disclosed Transaction Amounts (3 of 5 Deals)
Telecom	0	--	--
Wireless	1	+ 100%	\$71 million
Mobile	3	- 50%	\$14 million
Communications	1	+ 100 %	\$2 million
Total	5	- 17%	\$87 million

Chart 3 on Following Page

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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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