

IVP closes its largest fund

by Clifford Carlsen

Pioneering Silicon Valley venture firm Institutional Venture Partners raised \$600 million in the largest venture fund in its 26-year history, double the size of its previous fund in acknowledgement of the firm's recent shift to an entirely late-stage focus.

The new fund will take advantage of an increase in deal flow for mature, revenue-stage companies seeking large rounds of growth capital to build revenues beyond \$50 million. IVP XII expects to invest about \$20 million in each of about 30 companies over four years.

"What we have been seeing is a lot of larger deals, and last year we led two of the largest, in a \$160 million round for vacation rental rollup HomeAway, and a \$132 million round for Cortina," said IVP general partner Todd Chaffee. "What we are seeing is two markets coming together as venture and buyout markets merge, and as one of the original Sand Hill Road firms we are closer to management and venture investors, and that is an advantage we have."

The new fund brings the cumulative total IVP has invested since it was formed in 1980 to \$2.2 billion, and represents the third fund in a row that has focused on late stage investments. Beginning with its \$225 million IVP X, the Menlo Park, Calif.-based firm has targeted growth stage investments, adding recapitalizations and shareholder liquidity deals to its traditional venture capital practice, and focusing increasingly on large rollup plays and spinoffs.

Chaffee said IVP led 100% of its deals from its most recent fund, putting together large syndicates for late stage investments such as the rollup play for Austin, Texas-based HomeAway Inc. and the deal that allowed Sunnyvale, Calif.-based Cortina Systems Inc. to acquire Intel Corp.'s optical network components business. IVP put \$18 million into the HomeAway deal, and \$20 million into Cortina.

The new fund will retain the firm's focus on late-stage deals in communications, Internet and digital media, and enterprise IT companies. Chaffee said a rough breakdown in deal flow from the new fund will be about 60% in venture growth investments, 20% in rollups, 10% in recapitalization deals to cash out early investors and 10% in PIPE investments in publicly traded companies.

Chaffee said the firm raised the fund primarily from limited partners from its previous funds, adding only a handful, with most of its more than 50 LPs taking much larger positions. He said the fund was originally targeted at \$450 million, but was oversubscribed.

Despite the increased fund size, IVP will manage the fund with much the same team as its \$300 million IVP X fund, adding only Sandy Miller, who joined the firm a year ago, to a group of general partners that includes Chaffee, Reid Dennis, Norm Fogelson, Steve Harrick, and Dennis Phelps. Chaffee said the firm will retain the 2% management fee structure with a 20% carried interest that it had in its previous fund, with an accelerator to take the carry to 25% under certain terms.

IVP's focus on late-stage deals has left it with a strong portfolio of companies from its previous funds, with more than half of its 42 investments operating profitably and 24 recording revenue of more than \$50 million.

IVP used no outside financial adviser for the latest fund, and had legal work on the closing from Craig Dauchy of Cooley Godward Kronish LLP in Palo Alto, Calif.