

Shazam Scores \$32M On \$250M+ Valuation To Ramp Mobile Discovery

By Lizette Chapman

Shazam Inc., best known for its music discovery service, said it has raised \$32 million to build out its technology in a bid to repair the advertising model on network TV.

Co-led by Institutional Venture Partners and existing investor Kleiner Perkins Caufield & Byers with participation from existing investor DN Capital, the Series E infusion pumps the 10-year-old company's total raised to more than \$50 million.

Valuation was north of \$250 million.

"This allows us to pivot beyond music to broadcast media," said Shazam Chief Executive Andrew Fisher. "Our mission is to become the world's leading mobile discovery service. With 150 million users we have a strong foundation from which to achieve this and we are confident we will execute against this vision with the additional capital."

Founded in 2001 as a mobile app, Shazam initially carved a name for itself by allowing users to identify songs by aiming their mobile phones at the nearest speaker while the Shazam service took a music fingerprint, matched it against its database and then responded with the artist and track details.

The company gained traction among music lovers and picked up investors including DN Capital, FLV Fund, IDG Ventures Europe, Lynx Capital Ventures and Soft Park, which placed a combined \$18.5 million into the company, before Kleiner stepped up with an undisclosed investment in 2009.

Around that time Shazam became cash-flow positive and began thinking bigger. The London-based company expanded into a platform and targeted the television broadcast and advertising market, aiming to reel in hard-to-engage audiences.

Late last year, Shazam launched its TV offering, which allows viewer to tag programs with their Shazam phone app when they see the logo on the screen. By tagging the show, "Shazamers" get access to special features available only on their mobile phones, like watching advance episodes, shopping outfits on the show, and tracking what their friends are tagging. These "second screeners" are a desirable demographic and one that can be tough to engage given the popularity of TiVo,

Hulu and other services which allow viewers to time-shift their viewing.

Shazam pulled in \$17 million in revenue for its fiscal year ending June 2010 thanks in large part to paying customers including Proctor & Gamble, Honda, Old Navy and Progressive Insurance, which have run ads with the enhanced Shazam content.

Fisher, who said the company is tracking to do \$34 million for the 2011 fiscal year ending this month, said the next step is getting networks to pay.

IVP General Partner Dennis Phelps said he had been tracking Shazam since a friend showed it to him at Sundance Film Festival four years ago and converted him into loyal user.

"They received a healthy valuation which reflects their dominance in the music industry and the size of the market opportunity," said Phelps, noting plans are in the works to integrate additional social media capabilities.

Phelps joins the board as an observer while Kleiner Perkins Partner Matt Murphy joins the board as a member.

"Moving to Shazam for TV is a huge strategic move. It's a whole new business," said Murphy. "Everything's gone fantastically since we invested [in 2009.] This was an opportunity to own more of the company and we wanted to."