

## Hitachi Data Systems Pays Nearly \$600M For IPO-Bound BlueArc

By Scott Denne

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BlueArc Corp. was only weeks away from an IPO roadshow when Hitachi Data Systems Corp. swooped in and decided to pay nearly \$600 million in cash for the data storage company, say several people familiar with the company.

That makes BlueArc the eighth venture-backed company acquired out of IPO registration since May. Other notables include networking company Force10 Networks Inc., which was bought by Dell Inc. (VentureWire reported a \$700 million price), and Skype Ltd., which sold to Microsoft Corp. for \$8.5 billion.

BlueArc's June IPO filing was its second try at the public markets in its 13-year history. The company filed in September 2007, but withdrew just over a year later after the housing bubble burst. It refiled its offering plan in June.

The deal follows several high-profile purchases of dot-com era storage start-ups last year, including Hewlett-Packard Co.'s \$2.4 billion purchase of 3PAR Inc., Isilon Systems Inc.'s sale to EMC Corp. for \$2.25 billion and Dell's \$820 million purchase of Compellent Technologies Inc.

BlueArc's largest shareholders were Meritech Capital Partners, Crosslink Capital, Investor Growth Capital and Morgenthaler Ventures, which owned 23.2%, 14.7%, 11%, and 9.4% of the company, respectively.

The company had raised over \$220 million in venture funding since 1998, though it recapitalized after raising the first \$156 million, reducing the stakes of early investors such as Apax Partners and Celtic house Venture Partners. Other investors who still hold a stake in the company include Chevron Technology Ventures, Greenspring Associates, JVax Investment Group, Lucas Venture Group, RWI Group and Wasatch Cross Creek Capital.

BlueArc sells high performance network-attached storage equipment that focused primarily on high-performance computing applications. Its file system--the heart of a storage system--is built on custom chips. That gives it a performance-edge over its competition, mainly NetApp Inc. and EMC's Isilon, said Gary Morgenthaler, a partner with Morgenthaler Ventures and member of the company's board.

Though many people predicted that BlueArc's approach wouldn't last, as other network attached storage companies built with Intel Corp.'s chips would catch up, BlueArc was able to maintain a performance advantage while bringing down the price of its gear. That enabled it to increase its sales beyond high-performance applications like oil and gas exploration, genetics and digital video rendering, and into the broader storage market, said Paul Madera, a managing director with Meritech Capital Partners.

Crosslink Capital and Meritech Capital Partners both invested in the company in a \$47 million round in 2003. Those two firms led a recapitalization of the business in 2005 and added Morgenthaler Ventures to the syndicate shortly afterwards. BlueArc last raised capital with a \$20 million round in July 2010 led by Investor Growth Capital.

For its most recently reported quarter, BlueArc, which was founded in 1998, had revenue of \$24.7 million, up from \$18.6 million in the same period a year before, and a loss of \$4.3 million.

-With reporting by Christopher Zinsli