



- Chip Maker Cortina Inks \$132M Series D, Buys Intel Unit

By Clancy Nolan
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Chip maker Cortina Systems Inc. has raised \$132 million from its venture capital backers to buy Intel Corp.'s optical-networking components business.

The \$115 million acquisition, which includes an undisclosed mix of cash and stock, is designed to expand Cortina's line of integrated, high-speed digital and analog semiconductors, and to bring the company to cash flow positive.

"The carriers are consolidating, the systems companies are consolidating and when the whole food chain is consolidating, you better consolidate along with it," said Drew Lanza, a general partner at Morgenthaler Ventures and an early Cortina investor. "By putting some of Intel's legacy business [with Cortina] you get a combined entity that can scale up to 10-gigabyte per second."

New investor Institutional Venture Partners led the Series D financing with \$20 million, said IVP General Partner Norm Fogelsong. Existing shareholders, including Canaan Partners, Morgenthaler Ventures, Alloy Ventures, Bridgescale Partners, DCM and Sofinnova Ventures also contributed to the round, said Chief Executive Amir Nayyerhabibi.

Sunnyvale, Calif.-based Cortina has raised more than \$217 million to date, including the latest round. Nayyerhabibi declined to give the valuation after the latest round. Outside investors own roughly 80% of the company, he added.

Cortina makes integrated, high-speed digital and analog microchips that allow network systems designers to integrate bandwidth, computing power and storage. Cortina's chips are used by routing, transport and switching customers to carry service over existing communications infrastructures.

By adding Intel's optical networking products, the company broadens its reach and adds a family of mature products. "They get a family of different products that have revenue and a diversified customer base," said Jag Bolaria, a senior analyst with research firm the Linley Group. "It helps Cortina go from a fledgling group to all of a sudden being about to [reach] profitability."

With the added revenue and technology, Cortina aims to be more competitive with large, publicly traded chip companies including PMC-Sierra Inc., Broadcom Corp. and Applied Micro Circuits Corp.

With the added venture capital, Cortina may also pursue additional acquisitions, said Morgenthaler's Lanza.

As a result of the acquisition, Cortina will add roughly 70 employees from the Intel unit, and will add new offices in Folsom, Calif., and Raleigh, N.C., said Nayyerhabibi.

The deal, which closed on September 8, is consistent with a larger move by processor giant Intel to focus on its core technologies. Intel recently announced a cost-cutting plan that includes cutting about 10,500 positions, 10% of its work force.

The Cortina deal has been in the works for several months and is separate from those cost-cutting efforts, said a spokesman for Intel. "This deal will help in aiding Intel in its efforts to be more focused and agile," he added.

<http://www.cortina-systems.com>