

Internet Services
Hurst, Texas

Handango Raises \$60.5M In Sandy Miller's First IVP Deal

By John Letzing 9/12/2006

Handango Inc., a seven-year-old mobile phone content provider previously backed by a mere \$18 million, has shifted into overdrive with a \$60.5 million Series B round of funding to help take advantage of the increase in high-end devices that can handle its products. As part of the investment, veteran investor Sandy Miller has joined the company as its chairman.

A bevy of new investors took part in the round, which closed last Friday and was led by Institutional Venture Partners and Advanced Technology Ventures. New investors NeoCarta Ventures, Pharos Capital Group, SSM Partners and CenterPoint Ventures also participated.

The deal is the first done by Miller purely through his new firm, IVP, where he is a general partner. Last April, Miller parted ways with 3i Group PLC after five years and a string of investments that included VoIP provider Vonage Holdings Corp. He left on a high note, as Vonage was on the verge of exiting through a May IPO and another investment, video equipment provider SkyStream Networks Inc., had agreed to be sold to Tandberg Television for \$80 million in February.

Miller said that while his first investment with IVP was technically in digital radiography company Swissray International Inc., he'd originally funded that company while still with 3i. By contrast, Handango is an entirely new endeavor for him.

Miller, who becomes chairman of Handango as a result of the deal, said he had been searching for a wireless deal for some time, and he was most impressed with the company's strong position "in a fast growing space."

Handango Chief Executive Randy Eisenman said the substantial new round was raised to take advantage of the growing use of smart phones, which can better handle the sorts of software Handango has been selling via the Web and through partners such as Verizon Wireless.

A smart phone is essentially an advanced cellphone that integrates much of the power and functionality users can get with a computer. According to data released by IDC Research Inc. last June, sales of smart phones grew to 18.9 million units in the first quarter of this year, a 68% increase compared to the year-earlier period.

Bill Wiberg, a general partner with ATV and now a Handango board member, said he's encouraged by evidence showing that smart phone use is "penetrating beyond the high-end enterprise user." The opportunity for Handango, he said, is to be "the leading retailer of content" for such smart phones.

Eisenman said that as Hurst, Texas-based Handango evolved into a company focused on distributing wireless content to consumers, a new

investor base with more expertise in e-commerce and consumer wireless became necessary. "The company is in a very different position than it was seven years ago; that necessitated a different group," Eisenman said, adding that e-commerce and consumer wireless are not specialties for HM Capital Partners, which has departed as a Handango investor.

Peter Brodsky, a partner with HM Capital Partners, confirmed that his firm is now no longer an investor in Handango, though he declined to comment further. Eisenman said that while HM Capital Partners has left, fellow original investor Q Ventures is still actively involved in the company and holds a board seat. Prior to the new Series B, Handango had not raised a round of funding since March 2000.

Eisenman cited Motricity Inc. as a primary competitor in the market for mobile content distribution. Motricity has been on a funding tear lately, raising a round worth up to \$60 million. Eisenman said that Motricity's recent funding played no role in Handango's decision to bulk up with its own large round.

The new money will be used primarily to expand Handango's support for different media content types, such as audio and video, Eisenman said. "Historically, our applications have not taken advantage of the media capability of handsets," Eisenman said, adding that Handango currently has roughly 16,000 content partners, providing the company with everything from games to enterprise applications that can be downloaded from the Web.

The new funding will also be used to expand from the company's traditional market in North America to markets in Europe and Asia, Eisenman said. In addition to Verizon, Handango customers include ESPN Inc., Motorola Inc. and AOL LLC.

<http://www.handango.com>