

Saints Gives VCs A Hand With New \$300M Fund

By Jonathan Matsey

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Secondary investor Saints Capital has just closed on a \$300 million sixth fund, VentureWire has learned, as it looks to take on portfolio companies from VCs in need of an exit, ailing hedge funds, or investors that have changed strategies.

Safeguard Scientifics Inc., a publicly traded evergreen investor, fits into the last category. Following a leadership restructuring, starting in late 2005, Safeguard has sold six of what it terms "legacy investments" to Saints for about \$100 million, said John E. Shave, vice president of investor relations and corporate communications for Safeguard.

Ken Sawyer, managing director at Saints, said he sees many more such opportunities on the horizon. The firm's new fund, Saints Capital VI LP, which had a second close last week, will give the firm significantly more capacity to take advantage of the growing interest in secondary venture deals.

"I think people are more comfortable with this as an exit opportunity," said Sawyer.

Secondary exits have long been common on the buyout side of private equity, and Sawyer compared them to the third leg of a stool - the other two being M&As and IPOs. "But in the venture markets, it's a two-legged stool, and that's unstable," he said. "We provide an opportunity when the liquidity options aren't as strong."

Saints was a logical choice for Safeguard, which invested heavily in IT during the technology bubble, only to see its shares drop from the \$90 range in early 2000 to below \$2 in early 2003. Since the appointment of Peter Boni in August 2005, the Wayne, Pa.-based investor has regrouped, investing more heavily in the life sciences and shedding its fund-of-funds business.

Shave said Safeguard is now focusing on software-as-a-service, technology-enabled services, Internet-based businesses in IT and diagnostics, medical devices and specialty pharma in the life sciences. "They're sectors that we view as counter-cyclical to each other," he said.

Safeguard sold six of its pre-reorganization companies in the deal: Acsis Inc., an enterprise data collection software company, with about \$20 million in annualized revenue; Alliance Holdings Group Associates Inc., an IT consultancy with about \$90 million in revenue; Laureate Pharma Inc., a drug development support company, with about \$30 million in revenue; Neuronyx Inc., a drug discovery company; NextPoint Networks Inc., an enterprise telephony company with about \$40 million in revenue; and ProModel Corp., a business optimization company.

A seventh early investment, Clariant Inc., a cancer diagnostics company, was not included in the deal because it is public.

Shave said the companies' performance was mixed. "Some are doing very well, and some are in areas like IT consulting," he said.

Saints, based in San Francisco, previously raised a \$100 million fifth fund in 2005, although with additional sidecar funds the firm had substantially more on hand; Steward said that with the new fund, the firm has about \$600 million available. The firm did not disclose which fund provided the money for the Safeguard deal.

Steward said \$300 million was the target for Fund VI, although several additional potential investors are still in talks with the firm and he said one more close could occur. Names of the limited partners were not disclosed.

In a press release, Safeguard said the deal will give the firm a gain of \$16 million before transaction expenses are considered. Saints will also relieve Safeguard of \$31.5 million in debt guarantees concerning some of the companies in the transaction.