

## **Emergence raises \$200m for SAS model May 28, 2007**

By Alexander Haislip

Emergence Capital Partners raised \$200 million in commitments for its second fund after six weeks of fund-raising at a \$175 million target.

The San Mateo, Calif.-based firm, which raised \$125 million for its inaugural fund in 2004, has staked its future on business models that deliver technological developments as a service, rather than as products. The Emergence partners have already built credibility in this space. They invested just under \$1 million in customer relations management company Salesforce.com (Nasdaq: CRM) in 2003 prior to raising their first fund. A year later, Salesforce launched a \$100 million IPO.

Limited partners in Emergence's first fund include the California Public Employees' Retirement System (CalPERS), Fairview Capital Partners, Morgan Stanley Inc., the University of Michigan and the University of Minnesota. Fund I has called down \$7.5 million of \$15 million committed by CalPERS, according to public documents. The cash out and remaining value of CalPERS stake is estimated at \$7.66 million, yielding a 1.8% net IRR as of the end of 2006.

The success of Salesforce.com was enough to propel Emergence co-founders and General Partners Gordon Ritter and Brian Jacobs onto the Forbes Midas List of most successful VCs in 2007. But the firm has yet to have an exit from its first institutional fund, according to Thomson Financial (publisher of PE Week).

Still, the second fund was raised quicker than its predecessor, which took 15 months.

"We're betting our entire strategy around the customer's need to consume technology as a service," Ritter says. "We're going to look at the Salesforce.com model for every other segment of the enterprise software market." Prior to founding Emergence, Gordon was cofounder and CEO of Software As Service, a Web services platform company he created with Marc Benioff, the chairman and CEO of Salesforce.

Among its investments, Emergence invested in Santa Clara, Calif.-based Ketera Technologies, a company that allows corporations to buy office products online from a variety of different sources and automatically tracks the spending. It also

backed San Mateo, Calif.-based SuccessFactors, a company that hosts human resource applications online.

"Certain segments of the enterprise software space are ripe for being 'Salesforced,' such as applications that are used by a traveling salesman, and applications where less behind-the-firewall data are used," Ritter says.

Emergence isn't limiting itself to enterprise software applications. It backed consumer service company DVDPlay, a Los Gatos, Calif.-based provider of automated movie rental kiosks, for example. The firm also backed San Francisco-based Visage Mobile, which offers services for companies looking to launch branded mobile phone services.