

CoreOptics Takes \$28M Series D Ahead Of Possible IPO

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Erica R. Davis

CoreOptics GmbH, a German designer and manufacturer of optical networking chips and subsystems, closed a \$28 million Series D financing as it contemplates going public in 2007 with the help of new lead investor GIMV NV.

GIMV and Quest for Growth NV, both Belgium-based publicly-traded firms, joined the CoreOptics syndicate, with GIMV leading the round. Also participating in the round were all existing CoreOptics backers: Crescendo Ventures, TVM Capital, High Tech Private Equity, and Atila Ventures. CoreOptics closed its \$15 million Series C round in 2003 and has pulled in over \$68 million since its founding in 2001.

"We just wanted to do a round sufficient to complete our product roadmap," said Saeid Aramideh, CoreOptics' vice president of marketing, business development and sales for Americas and Asia. With the funding CoreOptics is heavily investing in product testing and manufacturing.

GIMV, which invests in late-stage private and in public companies that are focused on IT and communications, specializes in taking companies public. Aramideh sees CoreOptics ready for an IPO toward the end of 2007 after building revenue and further diversifying its portfolio. He projected revenue "north" of \$20 million for 2006, although he declined to provide 2005 numbers. In order to be set for an IPO the CoreOptics executive believes revenue of "about \$30 million or \$40 million would be realistic."

Optical signals transmitting from one point to another are naturally degraded, or dispersed, as they travel, Aramideh said. To make sure the signal gets to its destination, networks traditionally employ two types of equipment: dispersion compensation modules or second-stage amplifiers. Aramideh said CoreOptics eliminates these products with its chip called an electronic dispersion compensation, or EDC, chip. The chip is designed to recover the original signal in metro and long-haul core networks and uses an algorithm called maximum likelihood sequence estimator, or MLSE.

Aramideh said one of the advantages of his company's method is cost: CoreOptics' chip costs 30% less than dispersion compensation modules or second-stage amplifiers, he said.

Also in its product portfolio are transponders at 10 gigabit per second and 40 gigabit per second rates. Transponders are automatic devices that receive, amplify and retransmit signals. The company also sells a line card, which integrates the chip and transponder.

Since spring 2005, CoreOptics has been in full production of its products, and customers include Deutsche Telecom, MCI, Verizon Communications Inc. and AT&T Inc., Aramideh said.

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Since completing its product introduction phase, CoreOptics is focused on ramping up volume manufacturing. The funding will help CoreOptics fund its next chip release, scheduled for early 2007. It will also use the money to continue work on its 40 gigabit technology and to expand test and manufacturing facilities, Aramideh said.

GIMV ICT Group Executive Investment Manager Rudi Severijns is joining the board.

CoreOptics has a total of 70 employees in its Nuremberg, Germany, headquarters and its additional offices in Munich and Manchester, N.H.

TVM Capital General Partner Christian Claussen and High Tech Private Equity GmbH Managing Director Erich Hacker did not respond to messages for comment on the round.

- <http://www.coreoptics.com>

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