



Hammerhead Nails Another \$30M

JANUARY 31, 2006

Startup Hammerhead Systems Inc. announced today it's strengthening its push on the edge router market by picking up another \$30 million in funding.

The round, Hammerhead's third, was led by Silver Creek Ventures and includes one new investor, Apex Investment Partners, along with Hammerhead's previous investors: Enterprise Partners Venture Capital, Foundation Capital, Mayfield, and Pequot Ventures.

Hammerhead has raised \$80 million in three rounds. Its Round B, in 2003, started at \$25 million and was supplemented with a \$10 million extension about six months later. (See Hammerhead Nails \$25M.)

Hammerhead officials were quick to say this was an "up" round -- that is, it doesn't represent an erasing of investors' previous stakes. (See Washed Out in the Valley.)

"It was a meaningful 'up' round," says Rob Keil, Hammerhead vice president of marketing and business development. "A significant chunk of that was from the four [prior investors] stepping up."

Hammerhead, founded to tackle the multiservice edge market, put most of its energy into hardware at first. The market's slow takeoff forced Hammerhead to make some changes, (See Hammerhead Retools MPLS Approach and Hammerhead Orders Dry Martini.)

Hammerhead "hopes to leverage carrier dissatisfaction" with multiservice switches, writes *Heavy Reading* analyst Scott Clavenna in "The Future of Multiservice Switching," a report issued in July. A survey conducted for that report found roughly 40 percent of carriers unhappy with the lack of Ethernet or Multiprotocol Label Switching (MPLS) support in multiservice switches. (See Switches Face IP Challenge.) Hammerhead's HSX 6000 tries to bridge the gap by adding MPLS and other Layer 3 "awareness," as company officials call it, to a Layer 2 box.

Round C will fund growth in Hammerhead's sales organization, as the company claims to be getting buyers signed up all over the place. Names? Numbers? Hammerhead still isn't talking. But Keil claims they've beaten out the likes of Alcatel (NYSE: ALA - message board; Paris: CGEP:PA), Ciena Corp. (Nasdaq: CIEN - message board), Cisco Systems Inc. (Nasdaq: CSCO - message board), Juniper Networks Inc. (Nasdaq: JNPR - message board), and Tellabs Inc. (Nasdaq: TLAB - message board; Frankfurt: BTLA) in multiple vendors. Some of that success might have come from Hammerhead's partnership with Fujitsu Network Communications Inc. (See Hammerhead & Fujitsu Team up and Fujitsu OEMs Hammerhead Switch.)

"Now that we've validated we can sell this product and win against big companies, we want to expand the sales force," Keil says. That's going to mean a boost of at least 25 percent to Hammerhead's headcount of 80, he says.

— Craig Matsumoto, Senior Editor, *Light Reading*

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