

VC StarVest buys Iron Solutions, sees big things for DaaS

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Venture capitalists don't often make acquisitions--especially not of companies that cater to farmers. But that's not stopping **StarVest Partners LP** from planting its capital in a business that it expects to bloom from the Internet's rich soil.

The New York venture firm, joined by limited partners Dublin Capital Partners and Spring Mountain Capital, along with strategic investor GVC Communications Corp., will announce later on Monday that it has purchased 90% of information services company **Iron Solutions Inc.**, which is like the Kelley Blue Book of farm equipment. The deal is worth \$15 million, with Starvest chipping in \$8.5 million in exchange for a roughly 50% stake in the company. Iron Solutions was jointly owned by associations of dealers that sell used farm and construction equipment, and they will keep a 10% stake.

What does a VC want with a company that traffics in old tractors? A foothold in what StarVest general Partner Larry Bettino predicts will be the next big trend in information technology: data-as-a-service. DaaS, like its better-known kin software-as-a-service, centers on using the Web to provide on-demand business information over PCs, mobile devices and other gear.

"Technology is no longer the only competitive advantage," he says. "Going forward for the next 10 years, data-as-a-service is going to be very important. There will be tremendous value created by providers of data in conjunction with technology."

Bettino adds that owning, and not merely investing in, a company like Iron Solutions will help guide StarVest's investments in other DaaS companies, which he expects to become an emerging focus of the firm.

Bettino and StarVest general partner Jeanne Mariani Sullivan will join Iron Solutions' board.

A group of farm equipment dealer associations formed Iron Solutions in 1999 in order to encourage industry members to provide pricing information so its database could be comprehensive and accurate.

"It was a nice, profitable business," Bettino says, "but the company didn't have any incentive to expand into new areas."

After conducting a strategic review led by CEO Darwin Melnyk, who joined Iron Solutions two years ago, the company's owners decided to scout out potential buyers. "Iron Solutions is a great example of a company that has carved out a dominant position in its niche, but it hasn't maximized its value using today's online and software-as-a-service tools," Bettino says.

That's where StarVest, which has a number of SaaS companies in its **portfolio**, comes in. The firm was, along with Oracle chief Larry Ellison, an original investor in business software company NetSuite Inc. **[N]**, which raised \$161 million in going **public** in December, and it remains the company's biggest institutional holder.

"That's what we know how to do," Bettino says. "That's where our experience with NetSuite and also with our portfolio company **iCrossing** comes to bear."

Indeed, NetSuite and Iron Solutions recently announced a **partnership** under which Iron Solutions is helping the business tools provider tailor its services to vehicle and other dealers. NetSuite wants to adapt its back-office services aimed at small and midsize business to large vertical industries, such as the publishing and service industries.

"Iron Solutions is our poster child for how we're going after verticals," says NetSuite CEO Zach Nelson.

Melnyk, who will stay on as CEO, says StarVest is the right steward for Iron Solutions. "StarVest brings to our board of directors a vision of data-as-a-service and the economic means to grow our business at the pace the industry is looking at," he says. -- *Mary Kathleen Flynn*