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Evernote secures \$70m in investment round

By April Dembosky in San Francisco

Evernote, a digital note-taking service based in Silicon Valley, has secured \$70m in financing, valuing the company's equity at \$1bn and setting the stage for an initial public offering.

The company's original free product is an electronic to-do list for smartphones, tablets and PCs, but it has expanded into various segments and premium products that have boosted revenues.

"We were profitable," said Phil Libin, chief executive. "Then we raised a bunch of money to grow, so we are back in the red temporarily. But that's been the plan all along."

Evernote's goal is to reach the necessary scale for an IPO by the end of 2013, but also to have enough money to allow it to wait for optimal market conditions, Mr Libin said.

The funding round was led by Meritech Capital and CBC Capital, with participation from funds and accounts managed by T Rowe Price Associates, Inc., Harbor Pacific Capital and Allen & Company.

These funds [typically invest in companies at later stages](#), when they see potential for long-term growth and a debut on the public markets.

"It's rare that we encounter companies like Evernote," said Craig Sherman, managing director of Meritech Capital, complimenting Evernote's team, vision, business model and "adoring user base".

Evernote has 30m users, triple the user base from a year ago. Its services aim to be a user's "second brain", for example by helping people to remember tasks and errands; remember faces and names from a party, or to [remember a meal](#).

Mr Libin wants to distinguish Evernote from social media tools. “It isn’t about connecting with your friends or diverting yourself,” he said. “We want Evernote to help people feel like they’ve accomplished something.”

It has applications for school children – who can [use the app for studying in a similar way to flash cards](#) – and for business professionals, who can share notes and web materials with colleagues.

Users can pay more for extra storage space for their files. This puts Evernote in competition with other “cloud storage” companies gaining momentum, from Dropbox to Apple’s iCloud service.

Evernote said 1.1m of its users pay for their services – about 4 per cent of the user base. Users tend to pay the longer they use the product, so the company is focusing on adding more users to its free service.

Evernote said it will use the investor money to expand internationally, particularly in Asia.

“This round is their big push to get established in China,” said Gary Little, a partner at Morgenthaler Ventures, one of Evernote’s early investors, adding that the population in that country and popular use of social media will help spread the product rapidly. “It’s like putting oxygen on the fire,” Mr Little said.