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**interVideo ULEAD**  
DIGITAL CONVERGENCE

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DIGITAL CONVERGENCE

## InterVideo, Inc.

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*Wholly Owned Subsidiary of Corel Corporation*  
*Incorporated: 1998*  
*Employees: 473*  
*Sales: \$109.23 million (2005)*  
*NAIC: 511210 Software Publishers*

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InterVideo, Inc., makes digital audio and video software that provide home users with a wide range of creative and playback options. Flagship offering WinDVD is bundled with Windows-based computers from manufacturers including Hewlett-Packard and Sony, while newer products such as InstantON and IVI Mobile Player let users convert their personal computer into a home entertainment center or play videos on cell phones, respectively. Other popular InterVideo programs include DVD Copy, WinDVD Creator, iVideoToGo, and MediaOne Gallery. In the fall of 2006 the California-based firm was acquired by Canadian software maker Corel Corporation.

### BEGINNINGS

InterVideo was founded in April 1998 by a group of software industry veterans including Honda Shing,

Chinn Chin, and Steve Ro to develop programs for the new digital videodisc (DVD) format. In December the firm's first product, WinDVD, was introduced. The software program enabled Windows-based computers to play DVDs and compact discs, offering support for various formats including MPEG 1 and 2 video and the new MPEG 3 (or MP3) audio. The start-up firm, which was largely funded by management, soon opened an office in Taiwan, and in April 1999 Steve Ro was named president and CEO.

In early 2000 InterVideo partnered with *Widescreen Review* magazine to produce a CD-ROM for inclusion with new computers from Compaq, Gateway, and several other manufacturers that would contain the WinDVD Player, movie trailers, and a database of 1,200 reviews. In March the firm released a version of its DVD player for the Linux operating system, which was beginning to grow in popularity. By this time the company had also opened offices in Japan and Europe.

In April 2000 InterVideo signed an agreement with a producer of Internet audio programs, Sonicbox, Inc., to integrate streaming audio capabilities into WinDVD. The firm was also steadily signing original equipment manufacturer (OEM) deals with computer makers who would package WinDVD with their machines, adding Hewlett-Packard in the spring. The company reached a similar agreement with Panasonic to provide its Win-Coder software for a new line of DVD-burning drives and media.

In November InterVideo began working with Sonic Solutions, a leading maker of professional digital audio/video authoring software, to market that firm's video au-

## COMPANY PERSPECTIVES

InterVideo is a leading provider of DVD software and offers a broad suite of advanced digital video and audio multimedia software products that allow users to record, edit, author, distribute and play digital multimedia content on PCs and other devices.

thoring program to home users in MyDVD, part of the new WinCinema suite of programs. The package also included WinDVD, WinCoder, WinProducer, WinDTV, WinDVR, WinRip, and WinStream, which added a variety of digital video and audio encoding and playback capabilities.

For 2000 InterVideo reported revenues of \$15.4 million and a loss of \$5 million. By then the firm had more than 40 OEM customers, and held a 60 percent share of the computer DVD software market. Its employee ranks had grown to 200.

In February 2001 TCW/Crescent invested \$16.7 million in the firm to fund further growth. New programs introduced early in the year included WinRip Studio, which allowed musicians to add song lyrics, photos, text, and other information to music files; and MyDVD for CD, which enabled the recording of audio and video programs onto compact discs.

In August InterVideo began shipping version 3.0 of WinDVD, which was priced at \$50 and offered the option of six-channel DTS audio for an additional \$20. Fall saw the release of DiscMaster 2 Gold and Platinum, an easy-to-use CD and DVD burning program, and Instant Movie Maker, which allowed users to edit and burn home movies from their camcorders with a minimum of effort.

### FORMATION OF CHINESE SUBSIDIARY 2001

In late 2001 the company founded a subsidiary in Shenzhen, China, called InterVideo Digital Technologies (Shenzhen) Co., Ltd., and several months later a business office was opened in Beijing to market the firm's products in that country. InterVideo also inaugurated retail sales of WinDVD in the United States during the year via the Fry's Electronics chain. The product had previously only been available bundled with new computers or sold as a download from the company's web site. The number of WinDVD programs sold topped 15 million.

For 2001 sales more than doubled to \$23.6 million while the company's loss widened to \$9.2 million. Much of the red ink was attributed to the high cost of research and development.

At the beginning of 2002 InterVideo filed with the Securities and Exchange Commission for an initial public offering (IPO) of stock to raise \$51.8 million, though no date for the sale was set. In January the company licensed a program called AuthorScript from Sonic Solutions to use as part of the music editing program WinProducer, and in April an agreement was reached with SRS Labs to add that firm's TruSurround XT home theater audio to its products. A home theater software program was subsequently released.

In July InterVideo launched WinDVD Creator, a new program that enabled easy editing and burning of digital video to DVD, at the same time that version 4 of WinDVD was released to retail outlets. In September Intel began including the firm's TV recording software WinDVR SE in its desktop computer boards.

With the addition of NEC, the company's software was being bundled with the products of nine of the top ten personal computer makers in the world. Only Apple, which had its own operating system, did not use it.

In November the firm licensed the DivX video compression technology for WinDVD Platinum. The deluxe program also supported a new higher-quality 24-bit, 96-kilohertz audio format and offered Dolby Virtual Speaker for a surround-sound effect with just two speakers. In December InterVideo began incorporating the anticopying software Macrovision into its products to protect copyrighted material.

During the year a patent infringement lawsuit filed by Dell was settled, with the computer maker receiving 350,000 shares of InterVideo stock. Fiscal 2002 was the company's first year in the black, with net profits of \$7.7 million on sales of \$45.5 million.

In January 2003 InterVideo amended its IPO plan by upping the target amount to \$56.4 million. The firm's retail presence was growing, with store chains including CompUSA and Best Buy, and online marketers Amazon.com and TigerDirect.com, carrying its titles.

In the spring the company won a license to adapt Microsoft Windows Media software for use in such Linux-based consumer electronics products as digital video recorders, and also licensed TitanTV EPG, an electronic program guide for scheduling digital video recordings through WinDVD. The latter would allow users to record television shows in real time to DVDs, rather than storing the large files on their computer for later burning.

## KEY DATES

- 1998:** InterVideo is founded in Fremont, California; WinDVD introduced.
- 2001:** TCW/Crescent buys \$16.7 million stake in firm; Chinese subsidiary is formed.
- 2003:** Initial public offering of stock on the NASDAQ raises nearly \$40 million.
- 2004:** The 100 millionth copy of WinDVD is sold.
- 2005:** Ulead Systems of Taiwan is acquired; alliances are formed with Microsoft and Google.
- 2006:** Corel Corporation buys InterVideo for \$196 million.

In June a program called DVD Copy was released which allowed fast direct copying from one DVD or CD to another by users with two drives. The firm also began online distribution to Europe through Asknet AG of Germany, and introduced WinDVD 5. InterVideo's flagship program, which comprised 84 percent of sales, had topped 50 million units sold. The company's two biggest customers were Hewlett-Packard and Dell, which accounted for 21 percent and 11 percent of sales, respectively. More than 90 percent of all sales came from the OEM market.

## INITIAL PUBLIC OFFERING 2003

In July the company's long-delayed IPO was launched in scaled-back form with the sale of 2.8 million shares for \$14 each, raising \$39.2 million. InterVideo's largest shareholders were Spot Master Investment of Taiwan, with a 21.7 percent stake, CTO Honda Shing with 11.9 percent, Engineering Vice-President Chinn Chin with 9.9 percent, and President/CEO Steve Ro with 6.9 percent.

In the fall the firm signed a licensing agreement with InterActual, Inc., to use that firm's DVD playback technology as an option on WinDVD, and also debuted InstantON, which sped up access to select computer functions including CD and DVD playback. The patented product was intended to allow consumers to use their home computer as an entertainment center.

In early 2004 InterVideo suffered a blow when computer giant Dell announced it would stop purchasing WinDVD, replacing it with the products of other manufacturers. The company had also recently broken ties to a Japanese distributor because it was not producing desired sales.

In February a new program called DVD SlideShow was introduced which let users of digital cameras create and burn photo albums with audio and text for use on computers or televisions. The firm also signed a distribution agreement with major video game/software distributor Navarre Corp. to market its products in the United States.

In the spring a stock repurchase program worth \$10 million was begun, and the firm bought a 35 percent stake in Master Integrated Appliances Co. for \$897,000. Master Integrated designed hardware products including handheld computers.

In September 2004 InterVideo announced that sales of WinDVD topped 100 million. The firm's flagship product comprised less than two-thirds of total sales as the popularity of other programs including WinDVD Creator and WinDVD Cinema had grown.

In November InterVideo settled a lawsuit it had filed against computer maker Acer, Inc., alleging patent infringement related to InstantON. The company would subsequently license 26 of its patents to Acer, while that firm's parent Compal Electronics would license several patents to InterVideo.

## ACQUISITION OF ULEAD: 2005

In the spring of 2005 the company acquired controlling interest in Ulead Systems, Inc., a Taiwanese video authoring and editing software maker with 500 employees and annual sales of \$44 million. In May Microsoft chose InterVideo to supply DVD playback software for its forthcoming Xbox 360 video game and entertainment system, and the company reached an agreement with Google to include that firm's Toolbar and Desktop Search applications in such InterVideo products as WinDVD and WinDVD Creator. In June WinDVD 7 debuted with several new high-definition video capabilities.

In August 2005 the company filed a lawsuit against Dell that alleged infringement of its InstantON patent. InterVideo was also working to merge its operations with Ulead, and in September a new president was appointed to head that firm, which was experiencing financial difficulties.

In December the company introduced iVideoToGo, a program that could convert home videos for playback on the popular video iPod, and a few weeks later Sony began bundling the firm's Blu-Ray Disc playback and recording software with the industry's first laptop computer that featured a high-definition videodisc drive.

For 2005 the company reported sales of \$109.2 million and net earnings of \$3.6 million. WinDVD

made up only 41 percent of the total, with WinDVD Creator, DVD Copy, InstantON, and Ulead products including Video Studio, DVD Factory, and Photo Impact accounting for the majority of sales. The firm was also beginning to find success licensing its software to makers of smart phones, automotive electronics, and video game/entertainment systems.

In February 2006 another lawsuit was settled against computer maker WinBook, which agreed to integrate InstantON and WinDVD into its computers. In June InterVideo bought the remaining 33 percent stake of Ulead it did not already own, and also sold a Ulead building in Taipei for \$21 million. In July Japanese distributor Faith, Inc., agreed to distribute InterVideo products to OEM customers there in the mobile, automotive, computer electronics, and computer markets. During the summer sales of WinDVD reached 175 million.

In August 2006 Canadian software maker Corel Corp. signed a definitive agreement to acquire InterVideo for \$196 million in cash. Corel was known for such programs as WordPerfect, Corel Draw, and Paintshop.

In less than a decade InterVideo, Inc., had successfully positioned itself as the leading maker of DVD software for Windows-based computers. The firm was also expanding its offerings as high-definition television and handheld video-enabled devices including iPods and cell phones came into vogue. With the backing of new owner Corel, continued growth appeared certain.

*Frank Uhle*

#### PRINCIPAL SUBSIDIARIES

InterVideo Digital Technology Corp. (China); Ulead Systems, Inc. (China).

#### PRINCIPAL COMPETITORS

Adobe Systems, Inc.; Cyberlink Corp.; RealNetworks, Inc.; Sonic Solutions, Inc.

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