Google to buy video compression firm for $106.5M

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(AP) -- Google Inc. says it plans to acquire On2 Technologies Inc., a provider of digital video compression technology, in an all-stock deal valued at $106.5 million.

On2 helps shrink video files so they can be sent more easily across the Web, an increasingly important technology as the volume of online video grows rapidly.

Mountain View, Calif.-based Google, which owns the popular video sharing site YouTube, says On2 shareholders will receive 60 cents worth of Google class A common shares for each outstanding share of On2 they hold. That represents a 57 percent premium to the Clifton Park, N.Y., company's closing price Tuesday.

Sundar Pichai, Google's vice president for product management said Wednesday in a statement, "Today video is an essential part of the Web experience, and we believe high-quality video compression technology should be a part of the Web platform."

Google expects the deal to close in the fourth quarter.

Google's shares jumped $2.27 to $456 in premarket trading, while On2's shares surged 20 cents, or 52 percent, to 58 cents.

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