



European VC Market Back on Track Says Consultant Go4Venture

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The European venture capital market is back on track, according to the latest research by London-based corporate finance advisory firm Go4Venture.

The company recorded a 35% rise in March in its European VC Investment Activity Index, compared to this time last year, and cited the sudden jump as proof of the end of the slump of venture capital in Europe. Go4Venture's Index saw a leap of almost 50m euros (\$65m) over the value of transactions recorded in the previous month.

Speaking to ComputerWire, Ian McLoughlin, Go4Venture's director in charge of the Index said: "There was much more appetite for deals in March. Whereas in the past, European VCs were reluctant to take part in early-stage investments, we are now seeing more early investments. There is more competition between the VCs, and there is a more even balance of power between the entrepreneurs and investors."

The Index recorded 148m euros (\$193.6m) of headline transactions in March, pushing the Index to its highest ever level since its inception close to three years ago.

"After a strong start in the first quarter, 2004 was ultimately a disappointing year, with activity falling back to 2003 levels by the end of the year. During 2004 we noticed sharp monthly ups and downs suggesting a market sputtering to recovery. It is comforting to see that 2005 started at the same level as 2004 and it is now well ahead of where we were in March last year," said McLoughlin.

European market activity seems to be following the trend first noticed in the US last year, where both investment activity and VC fund-raising levels have now been up for more than a year. MD Jean-Michel Deligny said: "The bursting of the bubble started with the dramatic drop of Nasdaq in March 2000, but it was not until the second quarter 2001 that reality dawned on all European market participants. Similarly, whereas the US VC market recovered from the first quarter last year, it is only now that the European market is getting fully into gear on the way to recovery."

Go4Venture also pointed out other factors suggesting the European VC market is on the mend, including the fact that a number of European VC funds have completed or are on their way to closing successful fund-raising, most recently Banexi Ventures, Wellington Partners, Index Ventures, Sofinnova Partners, Advent Venture Partners, and Benchmark Capital.

Public markets are also showing signs of revival, with London's Alternative Investment Market welcoming a number of high-technology entrants in the first quarter 2005, and Euronext's AIM equivalent Alternext making its debut in May 2005.

Go4Venture said European VCs have also enjoyed a series of successful exits, most recently with Banexi and Innovacom selling Inventel SA to the French consumer electronics and networking vendor Thomson SA for a rumored 100m euros (\$131m) plus valuation.

Go4Venture's Headline Transactions Index is a compilation of VC investments in European technology companies as reported in professional publications.