

European Tech Investment Forum

“Tech Venture Investing in Europe:
Back to Growth?”

Panel Discussion

15 November 2004



Contact

Jean-Michel Deligny
T: +44 (0)7989 596 028
E: jean-michel.deligny
@go4venture.com

Go4Venture

1 Hay Hill
Berkeley Square
London
W1J 6DH
T: +44 (0)20 7958 1672
F: +44 (0)20 7409 2557
W: www.go4venture.com

Panel Members

Moderator

Jean-Michel Deligny

Managing Director, Go4Venture

jean-michel.deligny@go4venture.com

+44 20 7958 1672

Panel Members

David Carratt

Managing Director, Kennet Venture Partners

dcarratt@kennetventures.com

+44 20 7968 3810

Torsten Krumm

Partner, Apax Partners

torsten.krumm@apax.de

+49 899 989 0930

Geert-Jan Van Logtestijn

Partner, Ernst & Young

geert-jan.van.logtestijn@nl.ey.com

+31 10 406 8888

Chris Wade

CEO, Cambridge Position Systems

chris.wade@cpslocates.com

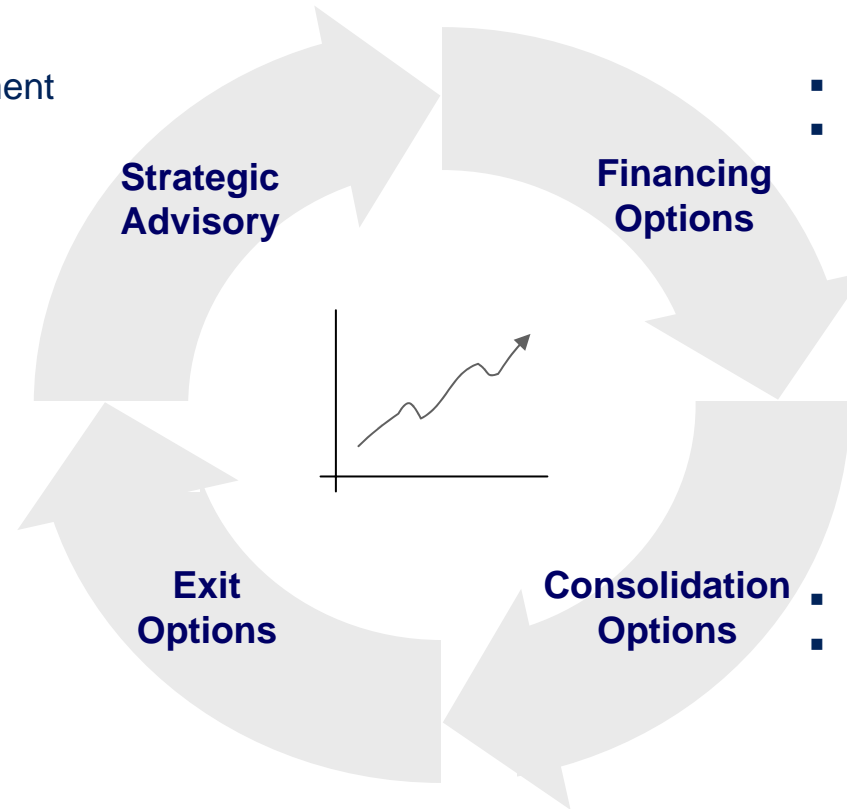
+44 1223 326 922

Our business

London-based corporate finance advisory firm focused on providing European technology entrepreneurs and their investors with independent advice to help them develop and execute growth strategies

- Company assessment
- Valuation services

- International syndication
- PIPE / P2P / MBO-MBI support



- M&A sellside
- IPO advisory

- M&A buy-side
- Buy and build

Fund raising track record

“Esmertec mandates independent adviser - the much sought after company is understood to have passed up offers from UBS Warburg, Nomura, Deutsche Bank and CSFB to choose Go4Venture”

**Technology Finance,
June 2003**



€ 23.5 Million
Series C Preferred Shares

*Java Software for
Mobile Phones*

October 2003

YOU Corporation

Strategic Advisory

Vertical Industry ASP

April 2003



\$10 Million
Financing &
Reorganisation

Security Software

June 2002



\$2 Million
Balance Sheet
Restructuring

e-commerce ASP

June 2002



\$10 Million
Refinancing

*Content Management
Software*

January 2002

The Headline Transactions Index



SLOWDOWN SEEN IN VC FUNDING
EUROPEAN TECH VC INDEX: SEPTEMBER
SOURCE: GO4VENTURE

- Climate is volatile for companies seeking investments
- European VC mkt not returning to health as quickly as the US did post dotcom bubble
- VCs are extra slow in deploying money in Europe; resulting in slow decision-making

power lunch europe

S&P Fut. 1125.10 2.70
AEX 332.22 2.25
£ US\$ 1.7885 0.0033
11:39 UK

Altra
CNBC EUROPE 0.50

- Proprietary index capturing the level of activity in the European technology venture capital industry
- Based on number and value of transactions mentioned in leading trade publications
- Good early indicator proxy for established industry surveys
- First published on October 4, 2004

To subscribe visit www.go4venture.com

The Feelgood Factor is Returning

**“VC rebounds after
dull summer”**

Financial News
1 Nov '04

**“Q3 2004 high-tech investment
up 32% compared to same
period last year”**

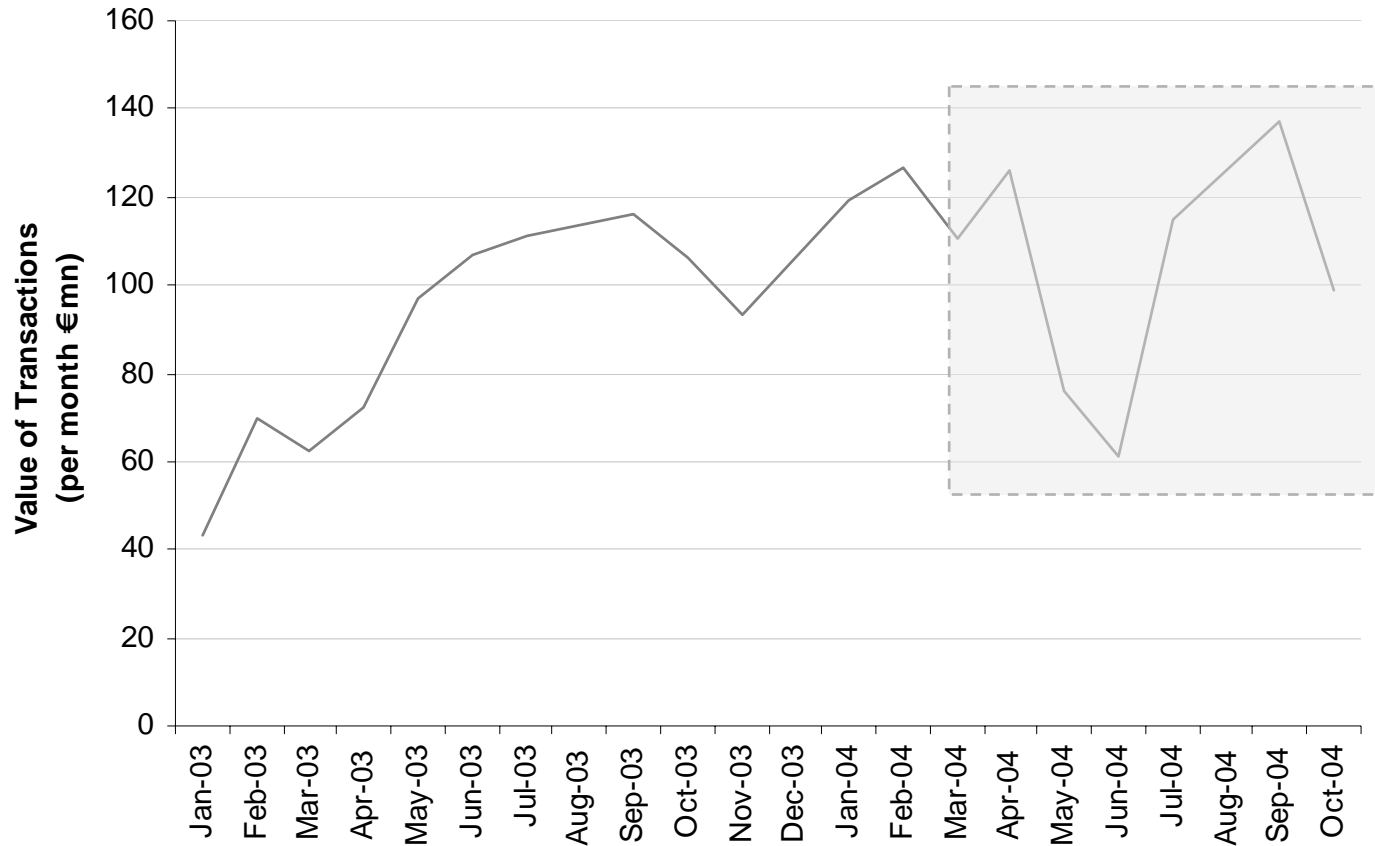
Tornado Insider
23 Oct '04

**“European private equity
investment rises 27% in first
three quarters of the year”**

AltAssets
3 Nov '04

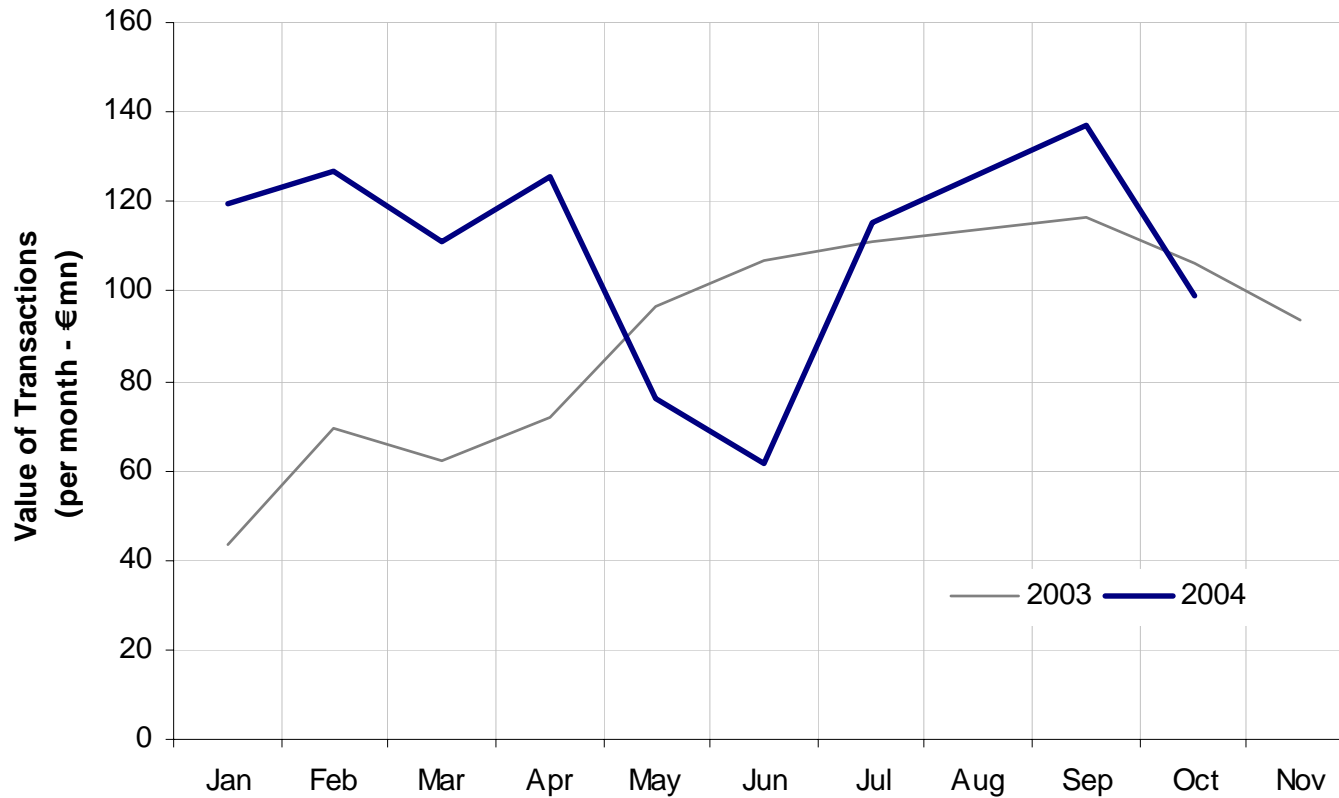
The Facts

The European Tech VC Headline Transactions Index™



Source: Go4Venture

The European Tech VC Headline Transactions Index™



Source: Go4Venture

Uncertain Macro Environment

- Macroeconomic indicators are being revised down
 - Partly as a result of geopolitical uncertainties,
 - ... and their impact on oil prices and F/X
 - Concerns over international recovery based on economic fundamentals

- IT industry surveys are extremely cautious
 - Pointing to a lack of “killer apps” to compel IT purchases

VC-Specific Reasons

- Questions over European VC as an investment class
 - VCs in sould searching mood at the Annual EVCA Tech Conference
 - LPs still off European VC for a while?

- As a corollary, a number of European VCs running low on funds
 - Some are distracted by their own fund-raising process

- And VCs showing extra care in deploying capital in Europe
 - Slow decision-making to get to termsheet

Great Companies Are Getting Funded

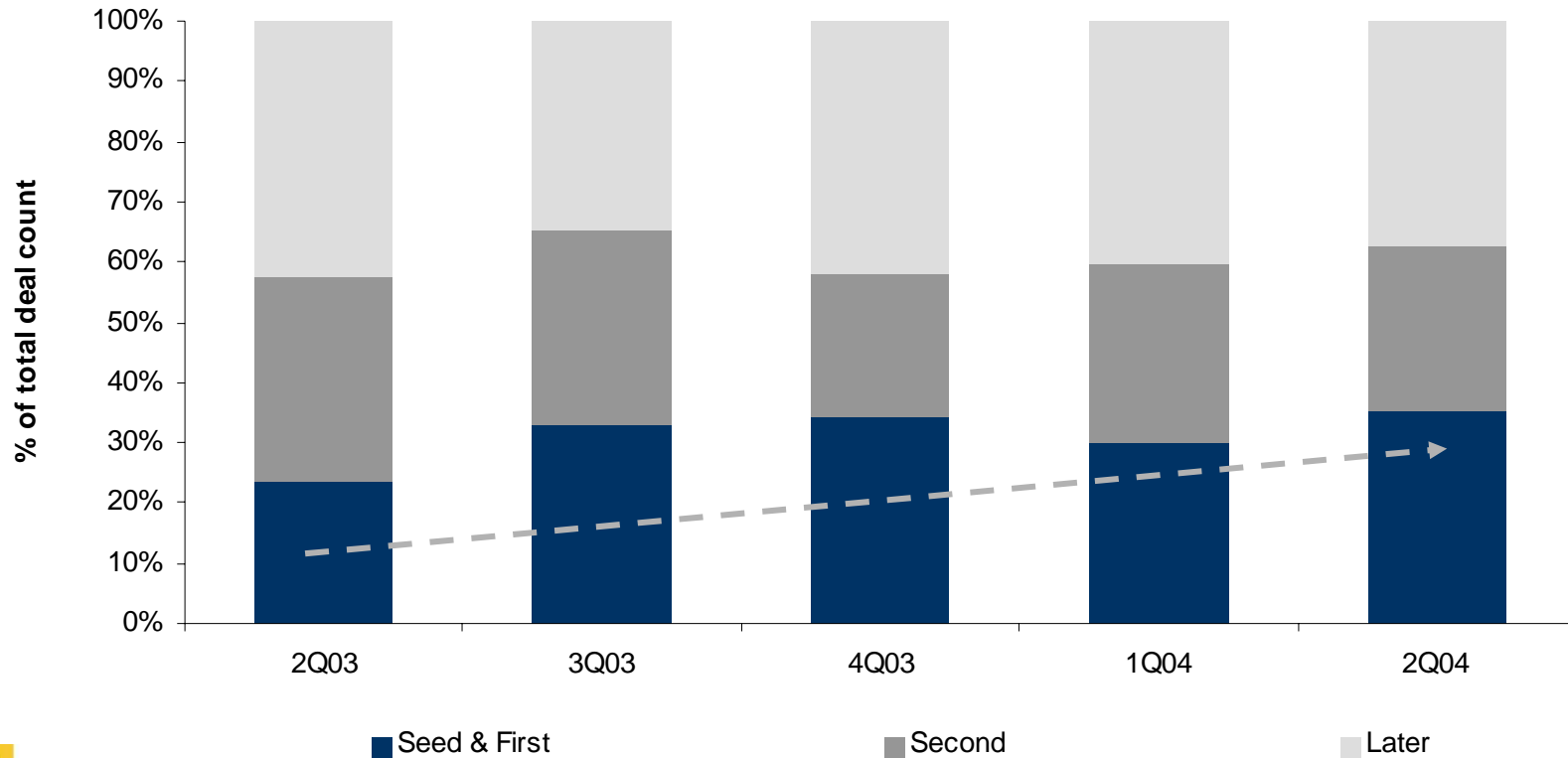
Recent Headline Transactions in Europe

Month	Company name	Country	Sector	Amount (€mn)
Oct 2004	Esmertec	Switzerland	Telecoms Software	15.3
Oct 2004	Globoforce	Ireland	Enterprise Applications	7.5
Oct 2004	Firs Hop	Finland	Telecoms Software	7.2
Sep 2004	SensorDynamics	Austria	Electronic Components	20.0
Sep 2004	CRLO Displays	UK	Electronic Components	15.6
Sep 2004	DeepStream Technologies	UK	Electronic Components	14.7
Sep 2004	Jaluna	France	Systems Software	9.8
Aug 2004	In-Fusio	France	Telecoms Software	22.1
Aug 2004	Smart Holograms	UK	Other	7.5
Aug 2004	Intense Photonics	UK	Semiconductors	7.5

Source: Go4Venture

Series-A Investments Making a Comeback

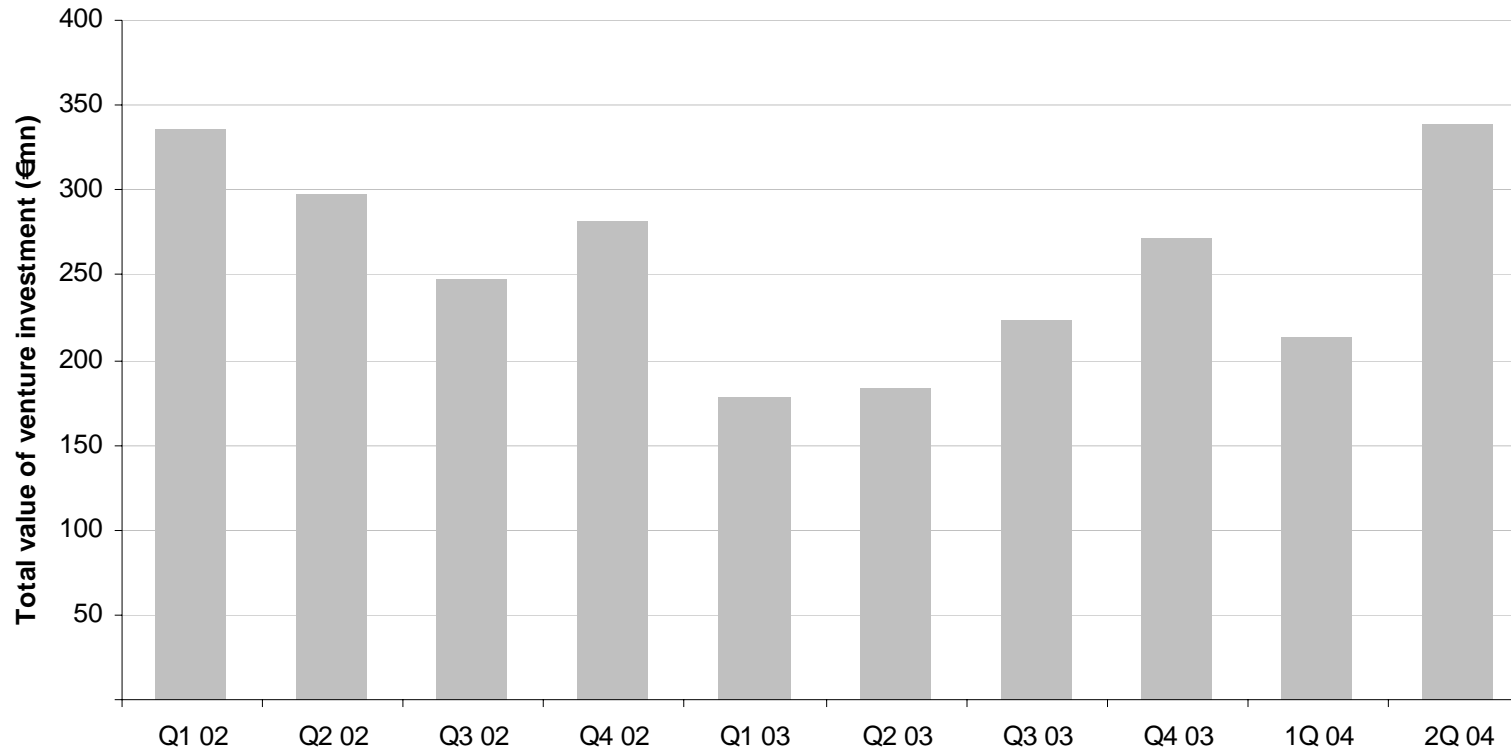
European Deal Flow Allocation by Round Class



Source: VentureSource

Some Parts of the Market are Faring Better

Value of investment in European Life Sciences companies



Source: VentureSource

What Does This Mean For Your Companies?

Series A

- Deal proclivity up
 - Better time to start a new company
- Prices improving
 - A few Series A > EUR 10mn
 - Record at \$30mn in the US

Series B and up

- Deals progressing better
 - A stronger sense of competition
- Improving deal terms, e.g.
 - Liquidation prefs: back to normal?
 - Anti-dilution clauses standardised
 - ESOP extensions more evenly shared
 - Shorter exclusivity