



# Monthly European Technology Venture Capital Bulletin

**December 2006**

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The Go4Venture Monthly Venture Capital Bulletin is a publication commenting on the latest results from our European Technology VC Headline Transactions Index®.

Go4Venture's European Tech VC Headline Transactions Index is based on the number and value of transactions reported in professional publications. The Index is compiled on a monthly basis as an early indicator of the evolution of the market for venture capital funding for European information technology companies.

For more details please refer to the Methodology Note available at [www.go4venture.com/resources/hti.htm](http://www.go4venture.com/resources/hti.htm)

## About Go4Venture

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Go4Venture is a London-based corporate finance Consultancy firm focused on providing European technology entrepreneurs and their investors with impartial advice to help them develop and execute growth strategies.

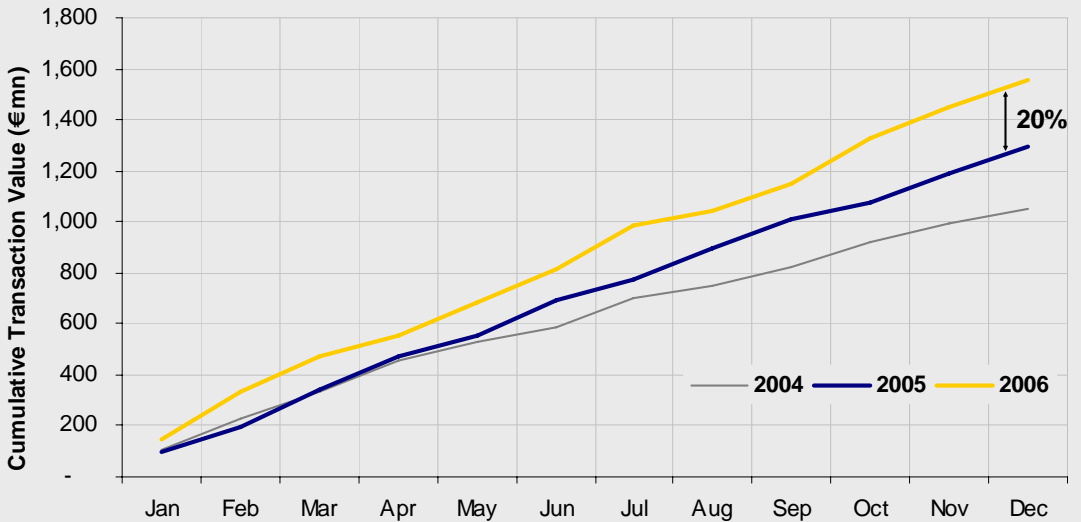
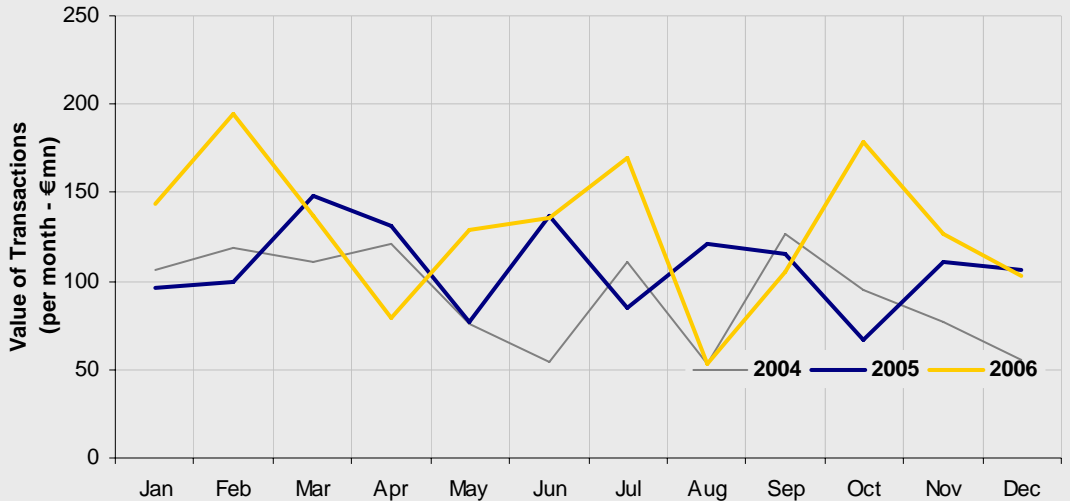
Our services encompass:

- Strategic information and valuation
- Financing strategies
- Buy and build strategies
- Exit strategies (trade sale and IPO Consultancy)

We are particularly well-known for our international equity private placement services, where we have developed a reputation second to none in Europe among international VCs.

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## Headline Transactions Index



Fund-raising has dropped this month compared to last year

The HTI closed 2006 at an all time high

European VC continues to internationalise

- €103 million was invested in December driving the Headline Transaction Index 20% over December last year.
- 2006 supplied yet another year on year improvement in technology venture capital.
- Five top headline transactions were recorded in December including the **Series B fund raising of Realtime Worlds** by **New Enterprise Associates** and the **Series C fundraising of Artimi**, led by **Accel, Amadeus** and **Index Ventures**.
- Investments in the UK dominated the deals made in December, taking four of the five top headline transactions, alongside one investment in the Netherlands: **Liquavista's €12 million Series B** round led by **Amadeus Capital Partners** and **GIMV**.

## Top Headline Transactions

5 deals above our  
€7.5 million  
threshold

Company	Segment	Stage	Size €mn	Description	Participants
Realtime Worlds (UK) <a href="http://www.realtimeworlds.com">www.realtimeworlds.com</a>	Software	B	23.5	Provider of video games for multiplayer online gaming.	<b>New Enterprise Associates</b>
Artimi (UK) <a href="http://www.artimi.com">www.artimi.com</a>	Semiconductors	B	20.1	Developer of WUSB and nextgen Bluetooth chipsets.	<b>Accel Partners</b> <b>Amadeus Capital Partners</b> <b>Index Ventures</b> Bank of Scotland Growth Equity Oak Investment Partners
Venda (UK) <a href="http://www.venda.com">www.venda.com</a>	Application Software	Late Stage	15.1	Provides B2B and B2C e-commerce capabilities on an outsourced, on-demand platform.	<b>Investor Growth Capital</b> GF Private Equity Group
Liquavista (Netherlands) <a href="http://www.liquavista.com">www.liquavista.com</a>	Semiconductors	B	12	Mobile display screen provider spun out from Philips Research Labs.	<b>Amadeus Capital Partners</b> <b>GIMV</b> New Venture Partners
Passado (UK) <a href="http://www.passado.com">www.passado.com</a>	Internet Services	A	10	Social networking site focused on offering blogs, photo-sharing and forums.	<b>Tudor Ventures</b> DFJ ePlanet Ventures

Note: **Bold** indicates lead or co-lead investor(s)

- **Realtime Worlds (UK)**, a provider of online multiplayer video games, secured **€23.5 million** from **New Enterprise Associates** in its **Series B** funding round. Realtime Worlds' CEO was the founder of DMA Design and the Chairman was the founder of Psygnosis and former CEO of Sony Computer Entertainment Europe. 'Crackdown' is its first title and will be released in 2007 in an agreement with Microsoft to publish for the Xbox 360. 'All Points Bulletin', a massively multiplayer online game (MMOG), will be published for the PC and Xbox 360 by Korean online games giant Webzen.

*Gaming investments are back in favour. For many years VCs were concerned with the risks linked to the long cycles of game consoles successive generations. They now see these risks somewhat reduced by new ways of exploiting the same content online and on mobile. Generally speaking more importance is also being given to digital content as an investment space and as a result, VCs have to get more used to the studio risks inherent in title development. The choice is whether to back the franchise or to back the creative guy with a track record. This is a case in point with Realtime Worlds: CEO David Jones was behind many iconic titles since the early 1990s such as 'Lemmings' and 'Grand Theft Auto'. Chairman Ian Hetherington is also an experienced hand, having founded and run Psygnosis, which he sold to Sony Computer Entertainment Europe for an undisclosed sum in 1993. Such résumés give investors comfort even before considering that Jones and Hetherington had worked together from as early as 1991.*

**Top Headline Transactions (cont.)**

*Realtime Worlds is now solidly backed after the €1.5 million first round of investment from Scottish Enterprise, a regional development agency, and Creative Industries Management, a €50 million Helsinki-based VC (this is their only investment). It is interesting to note that a US investor has stepped in: New Enterprise Associates (NEA). NEA is one of the more experienced US VCs, having operated since 1978 and now managing \$8.5 billion. It was only 18 months ago that a NEA cofounder commented that Europe was a nice place to visit rather than invest in. Now NEA has made an investment that is considerable by European standards.*

- **Artimi (UK)**, a developer of wireless application semiconductors, has raised **€20.1 million** in a **Series B** financing co-led by existing investors **Accel Partners, Amadeus Capital Partners** and **Index Ventures**, joined by Bank of Scotland Growth Equity and Oak Investment Partners. Artimi's low-power semiconductors facilitate wireless USB and next-generation Bluetooth applications such as digital cameras, camcorders, storage devices, MP3 players and mobile phones.

*WUSB is a 480 Megabit/second platform offering USB2.0 speeds wirelessly – the prospect of the wireless desk is on the horizon and has traction. Artimi has been going for 5 years and so is certainly not your traditional start-up: executing a fabless semiconductor strategy following an emerging standard from inception to market usually takes longer than expected and co-founder Jack Lang and former CEO David Baker have left along the way.*

*Since June 2004 (i.e. 2.5 years) Accel, Amadeus, Index and Oak have stuck to their conviction, the hallmark of Tier 1 investors. Tier 1 VC players often get together to back ambitious plays where lots of money is required. Instead of the traditional model of one investor drip feeding money over time and keeping as much of the equity for itself as possible, this is a different model. Three to four Tier 1 investors band together with the intention of funding a company together until exit. €20 million may be relatively large for a Series B but it is typical of a fabless semiconductor funding round – such firms simply require more capital, but then again are often after a large, global opportunity. Artimi was originally from Cambridge before its Californian relocation. As we have commented in the past this is becoming more common.*

## Top Headline Transactions (cont.)

- **Venda (UK)**, a provider of e-commerce solutions, raised **€15.1 million** in a **late stage** financing led by **Investor Growth Capital**, joined by GF Private Equity Group. Venda provides an on-demand platform for firms that want to outsource B2B and B2C e-commerce capabilities. The service supports multiple languages and currencies and is used by mid-tier and Fortune 1000 companies such as Body Shop, Xerox and Virgin Megastore.

*This is a substantial round of financing in a company established in 1998, which underscores the blurring of the boundaries between venture capital and expansion capital. Not quite private equity (buyout) as we know it, given the comparatively small amount invested, and since there is no indication of the existing investors bailing out. But nevertheless not quite traditional venture capital since none of the market or technology risks are at play in this particular situation.*

*We again see another cross-Atlantic company, but this time with unusual investors. Lead investor is Investor Growth Capital, a wholly-owned subsidiary of Stockholm-based Investor AB, founded and owned by the Wallenberg family. Also participating GF Private Equity, owned by the Southern Ute Growth Fund, the investment vehicle of the Southern Ute Indian Tribe in Colorado.*

- **Liquavista (Netherlands)**, a mobile display screen provider, secured **€12 million** in its **Series B** round led by **Amadeus Capital Partners** and **GIMV**, joined by New Venture Partners. The company's patented HEOS electro-wetting technology, developed from research work at Philips Research Labs. It has the same range, video and colour capabilities as current LCD screens but with improved readability in bright conditions and consumes only one tenth of the power of similar-sized LCD screens.

*Display technologies are a fiendishly difficult area as it usually takes considerable time from the design of a new product to its manufacture. Whilst designing and testing a new approach, the competing existing technologies improve all the time. It is a question of betting on revolution over evolution. Liquavista looks promising because it does offer a breakthrough in performance and uses existing manufacturing equipment. In short, it is better and costs the same as LCD.*

*The firm was spun off from Philips Research in April 2006 and was backed at the time by New Venture Partners, which also participated in this round. NVP was originally Lucent's New Ventures Group and became independent in 2001, with view to focus on corporate technology venturing. In March 2006, New Venture Partners closed NV Partners IV, a \$260 million fund focused on global corporate spinouts.*

## Top Headline Transactions (cont.)

*They now have over \$650 million of capital under management. This is textbook syndication with a "local" investor GIMV (in fact an active pan-European investor participating in some of 2006's largest deals, such as Metris and CoreOptics) and UK-based Tier 1 firm Amadeus, which is renowned for backing groundbreaking technology companies (most recently Plastic Logic).*

- **Passado (UK)**, a social networking web site, raised **€10 million** in a **Series A** funding round led by **Tudor Ventures**, joined by DFJ ePlanet Ventures. It differentiates itself from other communities by targeting adult users. Users connect to each other through their former schools, universities, workplaces or interests. Passado users interact using blogs, photo-sharing, forums and other online social networking services.

*Social networking web sites have become fashionable since 2005 and the acquisition of Friends Reunited by ITV, the UK broadcaster, for €180 million in December 2005, and the purchase of MySpace by NewsCorp for €450 million in September 2005. Passado was an early entrant, focusing on adult users rather than the overcrowded youth space. The company already has 5 million users in France, Germany and Spain, and is planning to launch sites in Italy, Russia and the UK.*

*This round is led by US-based Tudor Ventures, the venture capital arm of Tudor Investment Corp, an alternative asset management firm, with over \$15 billion under management, i.e. what is more colloquially known as a hedge fund. Hedge funds are increasingly getting involved with private equity, as they seek improved returns away from their increasingly competitive traditional hedge fund strategies. Their focus today is mostly private equity as in "buyout", where they can deploy considerable amounts and increasingly we also see them getting involved in venture capital, with dedicated vehicles managing either the hedge partners' personal money, which is of considerable value or, as in the case of Tudor Ventures, third-party funds. No doubt that as the cycle picks up and technology returns to the fore, we will see more of these investors in the traditional VC market.*

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